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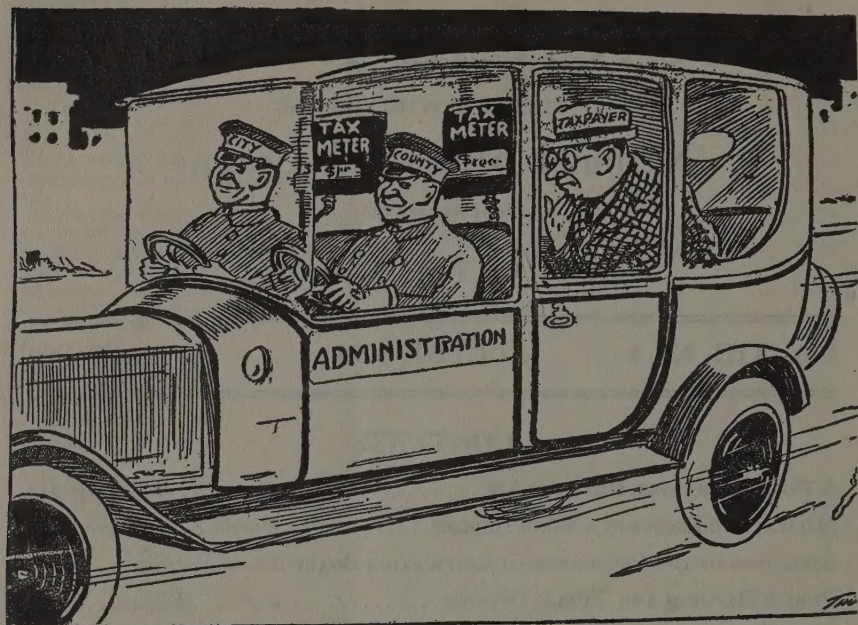
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TWO FARES FOR ONE RIDE



By Thurlby. In the Seattle Times

The Folly of Overlapping City and County Government



This subject (and others) will be on the program of the

THIRTIETH ANNUAL MEETING

of the

NATIONAL MUNICIPAL LEAGUE

to be held at

CAMBRIDGE AND BOSTON

NOVEMBER 10-12

The Governmental Research Association and the Association of Civic Secretaries
will meet at the same time and place.

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A BOSTON CHARTER REFERENDUM

BY GEORGE H. McCAFFREY

Secretary, Boston Good Government Association

Under a law passed by the Massachusetts legislature, the citizens of Boston will vote in November upon an amendment to their city charter. The amendment relates to the city council, and the voters must decide whether they will return to the old ward representation or will adopt a system of five boroughs, three councilmen to be chosen from each borough. Redrawing of ward boundaries, to be undertaken by a legislative commission, creates an irregular situation. :: ::

THE revision of the Boston city charter which began a year and a half ago has reached the referendum stage. The legislature has adopted the main recommendations of the Charter Revision Commission report made last January except in regard to the manner of electing the city council.

In all but that one provision, the Boston Charter Association and the other civic organizations and public spirited citizens, who defended the general framework of the charter, have won a clear victory. The mayor's term remains at four years instead of being reduced to two. National party designations will not be restored on the ballots at municipal elections. The powers of the official investigating body, the finance commission, are left unchanged. The term of the council is reduced from three years to two and all its members will be elected at once instead of the partial renewal plan now used. The term of the school com-

mittee is increased to four years and three and two members will be chosen at alternate biennial elections. All municipal elections will be held on the usual November election day in the odd numbered years so that there will be no conflict with state and national campaigns.

THE CITY COUNCIL

The method of electing the city council proved once more to be the stumbling block to any agreement. As a result of some State House politics, the Boston charter matters were referred to a committee which had not handled them for thirty years and whose personnel was mainly from outside the city. Long hearings were, however, given at which almost everybody joined in condemning the actions, methods and manners of the majority in the present council. The reactionary elements urged a return to a straight ward council. Many of the

Charter Revision Commission wanted a council of fifteen, three members to be elected from each of five boroughs, while the civic organizations and many prominent individuals wanted proportional representation applied either to election at large or from boroughs.

The proportional representation plan made a strong impression upon the committee, but it was felt that it would be impossible to convince the legislature of its desirability until far more members of both houses were acquainted with it. A compromise was, therefore, made with the advocates of a ward council and a referendum provision reported. The form of this referendum was objectionable in that it violated the principles of municipal home rule. Instead of letting the Boston voters decide first, whether they wanted any change, and second, if they did want a change, whether it should be to the new borough plan or back to the old, discarded ward plan, the bill provided that there must be a change and gave the voters only a choice between the borough and the ward plans. The borough system provides for five boroughs, three councilmen from each borough, and the wards which comprise each borough are named in the act. The ward system provides for one councilman from each ward. As is explained below, the reorganization of the wards, authorized by the legislature in another act, conflicts with the arrangement of wards into boroughs set forth in the charter referendum act.

WARD LINES TO BE CHANGED

Other legislation passed during the session now became an important factor in the desirability of this referendum. The General Laws of Massachusetts require that the ward lines in Boston shall be redrawn in December, 1924, as a preliminary to reapportion-

ing the legal voters into election districts, for the legislature. New ward lines have hitherto been drawn by the city council. The coming reapportionment, however, is unusually important because since 1916 there has not only been an exceptionally large shift in population, but women have obtained the suffrage and, even more important, an opinion of the supreme judicial court has changed the accepted definition of a "legal voter" from one who has the necessary legal qualifications to one who is actually a registered voter. The legislature had no confidence whatever in the fairness of the present council majority and, therefore, gave the task of redrawing the ward lines to a commission of its own members who will report next year. They are to divide Boston into not more than thirty-six wards. There are at present twenty-six wards.

NO INTELLIGENT DECISION POSSIBLE

It is obviously impossible for the voters to decide fairly and intelligently in November, 1924, whether they want the borough plan or the ward plan when they cannot know until sometime in 1925 how many new wards there will be, what areas each new ward will cover, and what new wards will be combined into boroughs. The voters in November will decide whether they want a ward council based upon the present ward lines or a borough council based upon the same lines, but only one election will be held from either the present wards or the boroughs based upon them, since the new plan does not become effective until November, 1925, but the new ward lines will be first used in September, 1926. Clearly the decision of many voters will be swayed by their like or dislike for the present wards or the boroughs based upon them, yet those lines are really not the issue.

These criticisms were made to mem-

bers of the legislature and to Governor Cox. They were urged to postpone the referendum until the new ward lines were established and enact the other changes at once. Unfortunately the bill came up for debate towards the end of the session when the pressure for prorogation was strong and party lines were drawn on it in the senate. This made any amendment difficult and to cap the climax President Donoghue of the council just before the bill came to a vote made some very insulting remarks about legislative interference in Boston affairs. This speech solidified sentiment in favor of the bill which many observers think was just what President Donoghue wanted. It passed the senate unamended on a strict party vote.

The house leaders were impressed by the unfairness of the proposed referendum under the existing cir-

cumstances and there were good prospects (until the day before the decisive vote was taken) that this part of the matter would be postponed for a year by their action. Then President Donoghue made another insulting speech which so enraged the house that any opposition was futile and the bill passed with only one minor amendment affecting the school committee. A strong delegation urged the governor to veto the measure or to ask for substantial changes, but he signed it, nevertheless, and settlement of the question as to how the voters of Boston want to elect their council is as far away as ever. This much is certain, however, that those who favor using proportional representation are encouraged by the progress they have made and will continue their work regardless of whether the rough or the ward plan wins in this strangely deceptive referendum.

MILWAUKEE PROPOSES A BOND BUDGET

BY HAROLD L. HENSON

Director, Citizens' Bureau Milwaukee

The unbusinesslike manner in which bonds are authorized and sold in Milwaukee causes needless expense to taxpayer. :: ::

THE common council of Milwaukee has instructed the city attorney and city controller to draft a bill, to be submitted to the 1925 legislature, which will provide a bond budget for capital outlays. The proposed law will eliminate a number of wasteful fiscal policies which the present state laws now require public officials to practice.

The practice of selling bonds months and even years before the money is needed for specific projects has cost the

city most \$4,000,000 during the last four years. It is estimated that this unnecessary interest and sinking fund charges will amount to \$1,150,000 during 1924. There was more than \$10,000 accumulated from the proceeds of bond issues lying idle in the city treasury on January 1, 1924, over \$10,000 on the same date in 1923, \$7,000 in 1922 and \$8,000,000 in 1919. Although the controller reported Milwaukee's debt on January 1,

1924, as \$29,033,300, the actual net debt was this amount less the mused bond funds or \$17,521,317.

LOWER RATE OF INTEREST POSSIBLE

Local bond houses have informed us that if the bonded debt of Milwaukee were \$17,521,317 rather than \$29,033,300, the interest rate on bond to be sold during 1924 would be lowered at least .15 of 1 per cent. Such reduction in the interest rate would have a material amount.

Every year more property is added to the assessment roll which in turn carries its share of bond and tax burdens. Over \$137,000,000 worth of property, or 18.9 per cent increase, was added in the last four years, and over 49 per cent in the last ten years. If bonds are issued and then noted, it is evident that this new assessable property coming on to the taxes will escape its share of the tax burden and yet will receive the service in the project itself.

INTEREST EARNED

City Hall officials have pointed out that a large amount of interest was earned on idle tax and bond funds, therefore resulting in no benefit to the taxpayer. We have taken monthly balances of all idle funds in the city treasury banks and amounts invested in Liberty bonds, paying certificates and extended taxes and added the total into the amount of interest actually reported as earned by the controller and find that for year 1920 the average rate of interest earned was 3.26 per cent, 4.31 per cent for 1921, 3.98 per cent for 1922 and 3.87 per cent for 1923. The interest rate paid on bonds sold in same years has been 5½ per cent for 1920, 6 per cent for 1921, 5 per cent for 1922 and 4½ per cent for 1923. Apparently from these two statements at the

taxpayers are suffering a loss of 1 to 1½ per cent annually on the bond funds, and the contention of the public officials is not borne out.

If we could assume that bond money was deposited in the banks rather than tax money, since we know definitely that the banks paid interest on bank balances in 1920 of 1.77 per cent, 2.32 per cent in 1921, 2.84 per cent in 1922 and 2.55 per cent in 1923, then the loss to the taxpayers for interest on bonds would be still greater, ranging from 2 to 4½ per cent.

DISPOSITION OF INTEREST EARNED

Many strange things are being done with interest money. Interest earned on paying assessments has been carefully accumulated since it was inaugurated seven or eight years ago and amounted to \$402,664.08 in 1923. The controller refused to allow anyone to touch this fund until a year ago when a bill was passed, known as the Amortization Fund Law, which placed this accumulated surplus interest money in an amortization fund. The purpose of this law is to build up an amortization fund by placing therein a minimum of 66⅔ per cent of all interest earned on idle funds year after year until there is sufficient to pay off the entire debt. By adopting this plan the taxpayer does not realize that he is being indirectly taxed for this amortization fund. This certainly is in violation of sound public policy.

SINKING FUND CHARGE IS A BURDEN

If we assumed for the sake of argument that the amount of interest earned equalled the amount paid by the city, we should still find the taxpayer burdened with the annual serial or sinking fund charge of 5 per cent of the bonds outstanding because of the practice of selling bonds long before the money is needed. Within the past two years the controller has adopted

the policy of delaying the sale of the bonds. The constitution requires that the interest be levied, but by book-keeping entries this item is offset and is therefore not actually levied. Sinking fund charges, however, must be levied. If we ignore the item of interest, it is perfectly clear that the taxpayer has been burdened with this unnecessary sinking fund charge on \$10,000,000, amounting to approximately \$500,000 annually for the last four years.

THE NEW LAW

The new law to be drafted will cover the following points:

1. *Bond Budget.* Establish a definite budget procedure for all capital expenditures to be financed by bonds. This is often designated as a bond budget; such a budget to authorize specific projects, but only after departments have prepared detail plans and submitted preliminary cost estimates satisfactory to the common council. This would require more careful planning of projects on the part of officials. During the year the common council would issue bonds as they deemed necessary. It is hoped that a five- or ten-year building program will be developed. At the present time the proposed bond issues are placed in the budget without much consideration.

2. *Single Improvement Bond.* Discontinue the present practice of issuing sewer, school and park bonds for specific amounts and for specific purposes, and substitute a general city of Milwaukee improvement bond in amount covering all the projects authorized in the bond budget. That is, if a budget was authorized covering five projects estimated to cost \$2,000,000, then general Milwaukee bonds would be authorized for \$2,000,000 rather than five separate bond issues. They would not be sold until the

treasury was actually short of cash and then the entire lot need not be sold at once. This practice would prevent surpluses from accumulating in special bond accounts, and the present practice of overestimating the cost of the project so as to be sure of necessary funds would be discontinued.

3. *Simplification of Referenda.* Simplify the entire procedure applicable to referendum bonds by requiring the public to pass only on the feasibility of the project with limitations as to the maximum amount to be spent and leaving to the common council all details such as date of issue, length of bonds, date and method of sale, part sale, interest rate, etc. A project approved by the people by referendum would automatically become a part of the bond budget.

4. *Proper Accounting of Interest Earned.* Provide that bond funds and all interest earned on idle bond funds be kept separate from general tax funds and that interest be applied to reduce the cost of bond issues rather than diverted to reduce taxes for operating other city departments.

5. *Issue Paving Notes.* It is evident that the treasury would not have enough money to finance the six year installments on street pavement assessments which are now financed from surplus bond money. It would be a better procedure to finance them by means of notes issued directly for paving purposes. The annual installments paid by the abutting property would pay off the interest and the annual amount then due. Such a change would relieve the taxpayer at large from paying the annual sinking fund charge of 5 per cent on the bridge or school bonds used to finance these paving contracts.

6. *Direct Tax for Amortization Fund.* The greater share of all interest earned has not been used to offset the interest

charges on bonds but has been placed in the amortization fund. Due to this practice many people do not realize that they are being taxed for the amortization fund. A direct mill tax for the amortization fund would be more in line with sound public policy as every citizen could then understand what becomes of his money.

7. *Semi-annual Payment of Taxes.*
Under the present financial system of

the city an immense amount of tax money is on hand during the early months of each year. If the Federal government can collect the income tax in four installments, it certainly is feasible to collect the city taxes in two installments. This would relieve the taxpayer from financing his tax bill all at one time and would relieve the treasury from carrying large amounts of idle tax funds.

ABOLITION OF THE PERSONNEL CLASSIFICATION BOARD

BY LEWIS MERIAM

Institute for Government Research, Washington

The bill abolishing the federal personnel classification board passed The House, 172 to 26, but failed in the Senate, unanimous consent not being secured to enable a vote on it in the closing days of the session.

UNDER the classification act of 1923, congress fixed the salary levels for positions in the District of Columbia by the establishment of a salary schedule, which divided positions into broad services, such as professional, sub-professional, clerical and custodial, and subdivided each service into a number of grades according to the importance, difficulty, responsibility and value of the work. Congress defined the services and grades in general terms and prescribed a salary range of maximum, minimum and intermediate rates for each grade. To the Personnel Classification Board, consisting of the director of the bureau of the budget, a member of the civil service commission and the chief of the bureau of efficiency, or alternates designated by them, congress delegated the duty of subdividing the grades into classes.

"The term class," according to the act, "means a group of positions to be established under this act sufficiently similar in respect to the duties and responsibilities thereof that the same requirements as to education, experience, knowledge and ability are demanded of incumbents, the same tests of fitness are used to choose qualified appointees and the same schedule of compensation is made to apply with equity."

DUTIES OF THE BOARD

The board was directed to make the necessary rules and regulations for the enforcement of the act and to make such subdivisions of the grades as it might deem necessary. It was specifically directed to prepare and publish: "an adequate statement giving (1) the duties and responsibilities involved in the classes to be established

within the several grades, illustrated where necessary by examples of typical tasks, (2) the minimum qualifications required for the satisfactory performance of such duties and tasks, and (3) the titles given to said classes."

After consultation with the board and in accordance with a uniform procedure prescribed by it, the head of each department was to allocate all positions in his department in the District of Columbia to their grades in the compensation schedule. The act contained the rules to be followed in fixing the exact rate within the salary range for the grade and these rules recognized that classes would be set up within the grade. The board had authority to review and revise the allocations made by department heads.

These provisions related only to the District of Columbia. With respect to the field services the act said: "The board shall make a survey of the field services and shall report to Congress at its first regular session following the passage of this act schedules of positions, grades, and salaries for such services, which shall follow the principles and rules of the compensation schedules herein contained in so far as these are applicable to the field services."

The reason for the different treatment of the District of Columbia and the field was that positions in the District of Columbia had been surveyed both by the congressional joint commission on reclassification of salaries and by the bureau of efficiency so that there were adequate data to furnish the basis for developing the salary schedule set up in the act. The field services had not been surveyed and consequently no proper schedules could be provided in the act. The most that could be done scientifically was to require a survey and prescribe the general principles to be followed in setting up a salary schedule.

The representative of the bureau of efficiency on the classification board took the position that the requirements of the act regarding the establishment of classes and the publication of class specifications could be postponed until after the department heads had allocated positions to grades and fixed salaries in accordance with the rules laid down in the act, despite the fact that these rules mentioned classes, thereby evidencing the expectation of congress that classes would be established prior to the allocation to grades. The representative of the civil service commission took the position that the first duty of the board was to establish, on the basis of facts secured through the earlier surveys, tentative class specifications to interpret with greater precision the congressional definitions of grades that had been based on these surveys. These class specifications were to be issued to the department heads to serve as a guide to allocations and to furnish a means by which the board could make an adequate review of allocations across departmental lines in order to secure an approach to the ideal of equal pay for equal work.

The representative of the bureau of the budget voted with the bureau of efficiency to have tentative allocations made directly to grades for estimate purposes only. As a basis for regulations to govern department heads the board, over the protest of the representative of the civil service commission, used the old schedule of salary grades which had been devised by the bureau of efficiency and which had been overwhelmingly rejected by the house when it was offered as a substitute for the salary schedule then contained in the bill. This schedule contained no services and no definitions of grades. It contained merely a comparatively small number of separate tasks inadequately described, arranged under

salary grades. The excuse for the use of this schedule, made when the board promulgated it, was that in the opinion of the board time did not permit of the immediate development of the required class specifications and that the allocations were tentative for estimate purposes only.

Relying on the statement that the allocations were tentative, for estimate purposes only, the representative of the civil service commission permitted them to pass without specific objection. The representative of the bureau of the budget and the representative of the bureau of efficiency approved them, although the review by the board had been nominal, and no adequate provision had been made for publicity and for hearing complaints.

In the meantime the representative of the bureau of the budget had voted with the representative of the civil service commission with respect to the field survey, and in spite of the objection of the bureau of efficiency, a program was adopted that provided for the establishment of classes and class specifications. Despite handicaps, this work was pressed forward and a tentative schedule of services, grades and classes for the field services was issued to the departments about the middle of September, 1923, to furnish a guide to the departments in making preliminary estimates of salaries for the field services, and to furnish data for a thorough-going fact report to congress on salary differentials and the differences in cost of living, local conditions and other related matters. Tentative allocations made by department heads indicated that the cost of reclassification of the field services according to this plan would be under ten million dollars over and above base pay plus the present bonus and this would represent an increase of approximately 5.6 per cent.

The bureau of the budget decided against using these estimates in the Budget and on November 12, the representative of the bureau of efficiency and the representative of the bureau of the budget, over the protest of the representative of the civil service commission, adopted a new program. Under this program the field classification was scrapped and the decision reached that the board would not recommend to congress a schedule of services and grades like that used in the act for the District of Columbia. The new program provided that there should be no general new allocations for the District of Columbia and that the tentative allocations should in general be made permanent. Estimates for the field service were to be based on departmental allocations to the bureau of efficiency schedule which was inadequate even for the District of Columbia and contained nothing applicable to thousands of positions in the field services.

Evidence at the hearings before the house committee on the civil service subsequently developed the fact that this new program had been prepared in substance by the representative of the bureau of efficiency at the request of Senator Smoot. The representative of the bureau of the budget testified that he had voted for it although in many respects it conflicted with his personal views.

The publication of circular 13 on November 13, 1923, based on the new program, brought a storm of protests. The house in response passed a resolution calling upon the board to submit its minutes. Examination of the minutes clearly indicated the need for further investigation. Mr. Lehlbach of New Jersey, chairman of the house committee on civil service and one of the authors of the act of 1923, then introduced a bill to abolish the per-

sonnel classification board and transfer its functions to the civil service commission.

At the hearings on this bill the three members of the board were called and then the committee voted unanimously to report favorably the bill abolishing the board and giving its work to the civil service commission. All three members of the board subscribed to the view that the board should be abolished.

In the house the limited opposition to the bill rallied in support of an amendment to create a special board or commission to administer the act. This amendment was defeated, and the bill passed by a vote of 172 to 26.

A bill identical with the Lehlbach bill was introduced in the senate by Senator Stanfield, chairman of the committee on civil service. By unanimous vote of the committee, it was

favorably reported, as was the Lehlbach bill when it came from the house. When the bills were reached on the calendar the senate was working under a unanimous consent agreement and unanimous consent was withheld by Senator Curtis of Kansas, acting in behalf of Senator Smoot who was absent. Senator Curtis in answer to questions of Senator Stanfield stated that he personally favored the bill but he had had to promise to object to it in order to secure the agreement for the unanimous consent procedure. Withholding unanimous consent prevented consideration of the bill at the session just closed, but the bill will probably be taken up early in the next session. The indications are that if a vote can be secured in the senate, the bill will pass by a majority as decisive as that given it in the house.

PUBLIC REPORTS AND PUBLIC OPINION

BY JOHN F. WILLMOTT

Staff Member, San Francisco Bureau of Governmental Research

What a public report should be and what it can do. :: :: ::

A PUBLIC report should present the activities, plans and problems of a government in such a way as to display the nature and amount of services rendered in return for tax dollars expended. It should state frankly the handicaps and disadvantages under which the department operates. It should outline the direction in which the scope of departmental activities should be extended.

It is not sufficient merely to compile this information in a voluminous report and make it available to the public; it

must be arranged and presented in such a manner that those receiving it will find it both attractive and interesting. Better a minimum of vital and essential information so prepared as to be absorbed by a larger number of readers than an imposing statistical document which will be digested only by the few who have a technical interest in such matters.

The purpose of a public report should be to "sell" the government to the taxpayers and voters. Its preparation should take account of the psychology

of advertising. If it is to be read, it must, after reaching the notice and engaging the interest of the "prospect"—in this case the taxpayer—be so arranged with the information so written and digested as to be attractive and interesting.

ATTRACTING ATTENTION

The first task is to attract the attention of the "prospect." In this connection, it should be borne in mind that even the best report will largely fail to achieve its purpose if some thought is not given to the matter of publicity and distribution. Some city managers have been keenly alert to the possibilities in this direction and have utilized members of the police force to distribute reports to every home in the city. Many cities now publish at stated intervals a municipal journal or record which carries, in addition to legal advertising, an account of the activities of the various departments. Informal bulletins dealing with special topics may be issued from time to time. A good example of this is a pamphlet recently issued by the commission and manager of East Cleveland, Ohio, stating in detail the economies effected during 1923 which made possible a cash balance of \$60,000 at the end of the year. These are sometimes followed up by addresses to organizations, newspaper articles, moving picture exhibits, radio talks, etc.

It will often be necessary to drop the formal caption and get away from the conventional design of the title page. The set-up of the title page should be attractive and pleasing to the eye. A catchy title such as "The Picture of Health" (for health departments), "Crime in ——" (for police departments), "The Story of the — Department" or "That's Where the Money Goes" (general) or some similar "headline" device will increase the

interest of the reader and induce him to look within. The last two reports of the state fire marshal of Kansas are entitled respectively "Mrs. O'Leary's Cow" and "Nero the Fiddler." A vivid red color is used for the title pages and although of somewhat sensational appearance, there is no doubt that these reports will attract the interest of a very large number of those who see them.

Many reports have been issued which in spite of the excellence of their contents have more or less failed to be effective largely because of the typographical set-up discouraging instead of attracting the reader. The use of large readable type with plenty of subtitles will do much to relieve the monotonous appearance which a solid page, especially in small type, often presents. The more serious and "heavy" material can be broken up and made interesting by insertion of items in a lighter vein apropos of the subject matter.

USE OF PICTURES AND CHARTS

Nothing makes a report more interesting or informing than a liberal use of good charts and pictures properly selected and placed. These should be sprinkled through the report at appropriate intervals to break up and illustrate the text. Indeed, it is strange that this practise has not had more general use. One encouraging feature of the newer type of report is a tendency to abandon the array of statistics formerly considered as the backbone of any report. This is a distinct gain since a large number of complicated tables without interpretation means little or nothing to the reader and will probably not be looked at.

It is a good plan to reduce statistical matter to the minimum—the reference to a few "key" figures or averages in the descriptive matter being sufficient

—and to employ charts to show the reduction in infant mortality, the increase in crime, the growth of municipal expenditures, the disposition of the tax dollar, unit cost of street maintenance, etc. Care must be taken in the selection and presentation of material by reason of the fact that charts present material very much more clearly than tables and thus if improperly presented may mislead the reader. For this reason, it is highly essential that the proper sort of chart be selected; otherwise, it is possible that the facts will be so distorted as to create an erroneous impression. Space does not permit a further discussion in this article of the points involved; there are many excellent works in statistics and charting which if followed will obviate the possibility of falling into the more common errors.

The Illinois state health department has employed a cartoonist and his work appearing in the monthly bulletin teaches the necessity of forming good health habits. Pictures may be used to depict public buildings and institutions, park scenes, well-paved highways and other public works before and after improvement, interior views of public offices showing modern office equipment in use, noted criminals, systems of identification, street cleaning equipment, fire apparatus, baby clinics, nuisances before and after abatement, groups of employees at work, etc. Indeed, there is no limit to the use which may be made of pictures. Any additional expense entailed by the use of pictures and charts may be covered by the elimination of texts and tables, thus reducing printing costs; the net result should be a decided gain.

ARRANGEMENT OF READING MATTER

The actual reading matter contained in the report is, of course, the determining factor with reference to its value.

The vital requirement in this connection is that it shall be interesting, significant and well-organized. Experience has shown that a concise and informal story full of vital interest is the most effective means of holding the reader's interest to the end. In the long run, any attempt at oratory or glorification of an individual or a department will defeat its own ends; the best policy is to state simply the facts of the situation leaving the reader to draw his own conclusions.

In this connection attention is called to the report of the Detroit police department for 1916-17. This report is entitled "The Story of the Detroit Police Department—Its History in the Making by the Men on the Job." Another very readable report is "Plain Talk," the report of the Philadelphia department of public works for the year 1914.

It will be found worth while to give considerable thought to the organization of the reading matter, selecting only the significant facts and presenting them in a concise and pointed manner. It is probably the best plan to divide the material according to the various organizations units and talk about the activities and problems of each one separately; in addition, there should be a brief summing up of the situation by the head of the department.

The annual report of the city of Milwaukee has followed this principle and has described the organization and personnel of each department and sub-department. A good organization chart serves to bring out the relation of the various organization units. Having outlined the organization, the next step is to describe the work performed during the past year with reference to the character of services rendered and the quantity of performance as compared with other periods. Graphic charts have already been recommended

as the best means of presenting the more significant features. Although a report generally covers a period of time already elapsed, there is no better place for considering plans for next year together with the estimated financial outlay needed to carry these into effect. Special problems and needs of the division in question should also come in for treatment at this point.

THE TREND TOWARD POPULARIZED REPORTS

It is encouraging to note the distinct and unmistakable trend toward the use of popularized reports during the past few years—a trend which has been greatly accelerated by the work of the National Municipal League, municipal reference libraries and bureaus of municipal research, which have aroused in the public a desire for more information regarding their governments and have, in many cases, co-operated with local officials in compiling better reports.

The development of the city-manager form of government has also materially accelerated the trend in the direction of readable reports. City managers are usually progressive, energetic and resourceful; in addition, by being made conspicuously responsible, they have been forced to a realization of the necessity of keeping the public in touch with the past work and the future plans of the government. City-manager cities throughout the country are producing a uniformly good and readable type of report which is contributing to the improvement of public reports generally.

The National Association of Controllers has recently recommended that municipal reports be published in one volume under the direction of the city controller. This particular arrangement may be open to question in that there is a danger of overemphasizing

financial and statistical data—a practise too generally followed in the past. However, the publication of municipal reports covering all departments will have the advantage of relating the work of each unit to that of the others and will in addition reduce the cost of printing. In general, the city manager or mayor or some one of his assistants would seem to be the logical person to collect and edit the data from the various departments.

ADVANTAGES OF POPULARIZED REPORTS

It has been the experience of cities which have adopted the popularized type of report that several distinct advantages have resulted. In the first place, there has been an increased public interest in the problems and activities of government. Citizen dissatisfaction due largely to a lack of information has noticeably subsided, as soon as officials adopted a policy of frank and open discussion of public affairs. This in turn has frequently won public support for much needed enlargement of program and improved facilities.

The work of many departments demands a certain degree of public co-operation, which can be secured only through the use of this sort of propaganda and publicity. This is by no means an exclusively governmental problem. Some of the large corporations, especially public utilities, find it well worth their while to spend large sums of money in publicity and advertising to describe additions to plant or improved service, to explain the need for higher rates and to instruct the public as to the manner in which they may co-operate.

The need for anything which will contribute to the securing of this result is apparent enough when one contemplates the reaction which has set in after "reform" administrations in sev-

eral of our larger cities. Somehow or other, reform administrations with all of their disinterest have largely failed to take the people into their confidence. Little or no attempt was made to explain the advantages of changes or new services, some of which may have interfered with the personal habits of a large number of citizens. Nor was the public informed as to what was going on, and because there was no contact or basis of mutual understanding between the government and the citizens the reform administration quickly became an object of suspicion and suffered a loss of public confidence.

Clearly, so long as our political institutions continue on something more or less resembling a democratic basis, the

securing of improved methods of administration and the application of scientific technique to the problems of government must await a patient campaign of popular education and the cultivation of a firm and continuous contact and mutual understanding between the government and the citizens. It is here that popularized reports have their greatest justification as being one of several means by which the activities and problems of government may be brought to the attention of the members of the community whom they vitally effect and who must, if they are to arrive at intelligent decisions regarding matters of policy and performance of officials, be intelligently informed.

UNPROFITABLE COUNTY GOVERNMENT

BY ARTHUR E. NELSON

Mayor of St. Paul

Mayor Nelson was recently re-elected in a campaign in which he urged the consolidation of St. Paul and Ramsey county along the lines set forth in this article. Our readers will appreciate the rare political courage which he displayed. :: :: :: :: :: :: ::

ONE of the moth-eaten statements that I would recall to your memory is that county government without question is the most backward of our administrative units. Many of its functions are relics of days long since past. In no place in business logic can justification be found for the continued maintenance of some of the county offices and of practices that cannot possibly show a fair return on the enormous annual investment. On the other hand, I believe that city government is constantly becoming

more and more proficient and, except where ward politics is the predominating influence, at a steadily decreasing cost when figured strictly on a basis of service. Whereas the problems of the municipal government have been scientifically treated and for the most part successfully solved during the past few years, the problems of the county government have been given little attention in proportion to their importance and broad relation to efficiency and economy.

If it is true, and it is, that we have

too much government, then it naturally follows that some of it should be eliminated. If it is true that the county government is awkward, obsolete and to a great extent unnecessary, then it is equally true that we should begin at that point to reduce.

PARTICULAR REFERENCE TO URBAN COUNTIES

In discussing county government I refer particularly, of course, to those localities in which the population is almost entirely urban and with the understanding that no two communities may be expected to adjust themselves to the same arguments.

I make these preliminary remarks at the risk of boring you with platitudes because it leads me more naturally to this conclusion—that the fault for virtually all losses of effort and money accruing from the maintenance of almost parallel governments within county boundaries rightly may be charged to a lack of knowledge among the voters or to their indifference. Either is to say the least an unfortunate condition that must soon be met if we would reach the root of tax burden.

In justice to the average citizen I presume I ought to say that the fault may be and probably does lie with the system which does not provide adequate means for informing him. His knowledge of all government is superficial because he is not reliably grounded in the fundamentals of that government. The average city man knows what amounts to virtually nothing of the county government. First, because no facility for learning has been made available; and second, because he does not come into direct contact with it. He is only vaguely aware that it exists and yet each year he contributes toward its support on the bare presumption that it is a necessary non-detachable part of the body politic.

Where I come from we believe in municipal home rule. A constitutional amendment authorizing home rule in cities and villages within the state of Minnesota was adopted in 1896. Many cities have taken advantage of this constitutional amendment, including St. Paul, and are now operating with charters adopted by their own voters.

However, the constitutional amendment did not provide for home rule, except subject in all respects and in all things to the will of the legislature. The general tendency toward centralization of governmental authority throughout the United States has resulted in the taking away from municipalities more and more of their home rule power and vesting such power in commissions, bureaus and what not. This is evidenced by the campaign conducted not only in Minnesota, but throughout the country, for removing control of public utilities from the municipal authorities and placing such control in state public utilities commissions. Then, too, the officials of many municipalities, not excluding St. Paul, have felt it easier at times to procure certain kinds of legislation through the state legislature rather than by a vote of the people. I am firmly of the opinion that only when municipalities have that kind of home rule that cannot be interfered with by the legislature will consolidation of county and city governments be successful.

THE SITUATION IN RAMSEY COUNTY

I represent a locality that seems to me to be perfectly constituted to benefit by the process of a consolidated government. The city of St. Paul has a population, according to the 1920 census, of 234,000. The rural population of Ramsey county, (the smallest county in area in the state) in which St. Paul is located, was fixed at less

than 10,000 in this census, although the rural acreage is very nearly equal to the area embraced by the corporate limits of the city. During the past three years the population of St. Paul proper has increased until it is estimated close to, if it does not quite reach, 300,000 people. The county population figures have not, I believe, shown anything like a relative gain.

During the last session of the legislature an attempt was made to secure authority for a referendum on the question of abolishing Ramsey county and creating the city and county of St. Paul. According to reports conveyed to me at that time many of the 10,000 residents of the county outside of St. Paul limits appeared before the Ramsey county delegation to protest on the ground that they could not—and many of them said they would not—stand the tax increase which they foresaw arising from such a combination. Members of the delegation did not see fit to carry the issue to the floor of the house and there the matter was allowed to rest.

Among those who entered protests were residents of a village where the tax rate per thousand of assessed valuation is more than \$100 as against the present rate of \$61.50 in St. Paul covering the city, county and state taxes. Clearly, this was a case where specific information would have helped. The glaring inconsistency is that 96 per cent of the taxpayers in Ramsey county who reside in St. Paul must help to maintain a separate government largely for the remaining 4 per cent, which government, so far as the city is concerned, is to a considerable extent unnecessary.

GOVERNMENT OF RAMSEY COUNTY—
OBSOLETE OFFICER

The governmental plan of St. Paul and Ramsey county is no doubt in

most all ways analogous to the plan operating in other important centers. The board of county commissioners consisting of seven members is the legislative and administrative body in the county. Two of these members are elected from separate commissioner districts outside of the city of St. Paul within the county; four are elected at large from the city of St. Paul; the mayor of St. Paul is *ex officio* chairman of the board of county commissioners of Ramsey county. It will be noted, therefore, that five of the members of the board out of the seven are elected by the citizens of St. Paul. We have a county superintendent of schools, who is not in any way associated with the department of education maintained by the city. He is elected from the country districts only and has jurisdiction only over the country schools. We have a coroner—a somewhat obsolete institution—and we have county physicians and city health bureau, each carrying on in the same general direction presumably without an iota of co-ordinated effort.

We have our sheriff—another unnecessary institution—who seems able to get legislative permission for increasing his force of deputies at each session, and we have our city police department, with the sheriff exercising jurisdiction throughout the county, including the city, and the police department only within the confines of the city. We have our county treasurer who collects all the taxes including personal property taxes and assessments and we have our city commissioner of finance who is advised by the department representing 4 per cent of the total population of the county what the city's share of the revenue supplied by the 96 per cent of the total population amounts to. We have a county auditor and we have a city comptroller. We have a county

attorney and we have a corporation counsel. We have a county engineer and we have a city engineer and so on—office matching office. Nor are we so fixed geographically or in point of population that the work of two departments could not easily be discharged at not more than 75 per cent of the present combined labor cost.

We have a few direct points of contact between the two governments. And the wonder to me is that the evident benefits from or the possibilities promised by these minor examples have not long before this recommended to the taxpayers a more general application of the principle.

I have already called attention to the fact that the mayor of St. Paul, under a special act of the legislature, is *ex officio* chairman of the board of county commissioners. We have a joint city hall and court house commission created also by a special act of the legislature composed of three members of the city council and three members of the county board—all of them appointed by the mayor who serves as its official head. The chief function of this commission is to manage the one building in which most of the city and county offices are housed. The cost of maintenance is shared equally by the city and county.

CENTRALIZED PURCHASING DEFEATED

At the last session of the legislature an attempt was made to supply an object lesson which, had the attempt been successful, could, and most certainly would, have been used to excellent effect in convincing the electorate of the advantages of a single governmental unit. We applied for permission to centralize the buying power of the city and county under one head but the application was denied primarily at the instance of those who for years have been selling to advantage

to individual county offices. By special arrangement we did succeed in concentrating the buying of supplies for the joint city hall and court house commission in the city purchasing department but the sheriff and the rest of the county officials continue the old-fashioned and costly system of buying promiscuously and where and when they will. I do not pretend to say they fail to drive the best bargains possible but ordinary business judgment tells us it is an impractical system.

No one will gainsay the saving possible under a system of quantity buying. It is such a simple truth that one almost feels ashamed to mention it. Nevertheless, and despite its admitted advantages, we are not permitted to pool the demands of the two governments and buy at a saving to both.

We have another minor point of contact in the city and county board of control, composed of three members—two elected by the county commissioners and one elected by the city council. This board supervises our city hospital, our county home and the city and county outdoor relief. Moneys are appropriated for the purposes outlined in the proportion of two-thirds by the county and one-third by the city.

ELECTORATE IGNORANT OF WASTEFULNESS

I would like here to repeat and perhaps elaborate on a statement I made at the outset—that I believe it is due entirely to lack of knowledge or indifference on the part of the voters or inadequate educational facilities—that we have not now a more simplified form of local government.

I do not need to tell you how difficult it is on most all occasions to arouse the interest of the electorate in administrative matters. Unfortunately,

it is not until what are held to be negative results reveal themselves that the average citizen pricks up his ears. The average citizen, as we all know, does not naturally have the same relationship with the county officials that he does with those of the city. Unless he owns property outside of the city limits or violates a law within the jurisdiction of the sheriff's office, or until he pays his taxes to the county treasurer, he can scarcely be expected to take more than a passing notice of what is going on in county circles. He pays his share of the cost of county government—95 per cent in St. Paul, to be exact—unwillingly, no doubt, and without knowing what, if anything, he is going to get for it, and there his personal touch ends.

Through lack of concrete knowledge, or through indifference, or through want of means to learn, the average voter is in no position to judge the enormous waste, the overlapping duplication of work and the consequent confusion and unnecessary expense entailed by a dual local government. In so far as we as officials do not or cannot promote more generally a systematic program of taking governmental affairs to the people the responsibility must, to some extent, at least, rest with us.

Surely any small county, such as mine, not only can, but certainly ought to operate as a single administrative unit. This is predicated entirely on my opinion that consolidation of city and county government is desirable in the larger centers where the comparative rural population and cost of maintaining its separate government are out of all proportion when considered in the light of good business.

ZONING FOR EQUITABLE TAXATION

When we come to centralize our local governments under one bureau

of control we are inevitably faced by the problems of zoning for equitable taxation, reasonable service to distant points in the county and disposition to be made of the village governments. In my county we have three small villages.

It is claimed that to tax all alike (and I guess it is quite generally admitted to be true) would be unfair unless the quality of service is altogether uniform. Whether or not a uniform service is possible depends almost wholly on the size and topography of the area to be served. Taxes ought to represent the price one pays for benefits received, plus a reasonable contribution toward government maintenance commensurate with the progress and physical welfare of the community.

In a compact district such as that which I represent I should say it was more than possible to establish a reasonable service at a fair charge, but I am fully aware that to attempt it in some sections would be the height of folly.

The third city in Minnesota is Duluth, which is located in a county forty times as large as the county from which I come. It is equal in size to the states of Connecticut and Rhode Island combined. It is a mining country in one part and largely agricultural in another and is of such a physical nature—to say nothing of its great size—that complete consolidation of local governments there would not only be impractical but would result in such an unwieldy instrument as to make it unmanageable.

But even in the larger areas—such as the one containing the city of Duluth—consolidation might be partially affected at a profit by a combination of those offices where the work is largely a matter of accounting; then, too, there is no reason that I can see

why departments such as the legal and school and purchasing departments should not be merged to serve effectively without respect to the size of any country area.

I believe that the three village governments in my county could very easily be continued as separate governing units, at least, until a greater growth in the county would bring them into direct contact with the city section itself.

My chief claim is that by all the rules of business, mathematics and common sense most of the parallel offices in city and county government (having in mind St. Paul and Ramsey county) should be consolidated in the interest of service, econ-

omy and simplicity of operation and control.

What, in my opinion, would be good for Ramsey county and St. Paul in connection with the consolidation of governments would no doubt work satisfactorily in other communities where similar conditions exist.

This seems to me to be so formidable a truth as to admit of no dispute. Whether the name of a county is changed or not is a matter of very relative importance. I still maintain that in many cases, if not all of them, a single department will serve the purposes for which two are now drawing on the purse of the taxpayers. This, after all, is the main idea of consolidated government.

THE PAY-AS-YOU-GO PLAN IS CHEAPER HIGHER MATHEMATICS GIVES FICTITIOUS LOWER COSTS

BY T. DAVID ZUKERMAN

Director, Political Research Bureau of the Republican County (N. Y.) Committee

This is a rejoinder to the article by Gaylord C. Cummin in the June REVIEW, which asserted that the pay-as-you-go policy is more costly than any other financially sound method. :: :: :: ::

It is an amazing argument that Mr. Cummin gives to support his thesis that it is more costly to pay cash than it is to purchase on the instalment plan if only your credit is good enough. By taking us into the fascinating realm of actuarial science where, "as compound interest gets in its mighty work" money at 6 per cent multiplies itself so fast that \$339.30 due one hundred years from now is worth only \$1 to-day, he points out the way for us as individuals to become wealthy by borrowing on our excellent credit as a

community. The path he has selected, however, is a treacherous one. Although the figures are correct, the reasoning is faulty. An easy facility in the use of compound interest tables has once more shown why statisticians are held in such low estate.

SAME ARGUMENTS USED TO PREVENT ADVANCEMENT OF TAX COLLECTION DATES

The position taken by Mr. Cummin is that the use of the taxpayer's money is worth more to him than the cost of

borrowing by the community on his account. This "fact," he says, has rarely been taken into account in the discussion of public finance. Unfortunately that is not so. Such a belief is only too common. It is the sole objection generally made to advancing the date of tax collection nearer to the beginning of the tax year. About 40 per cent of municipal borrowing is for short terms, most of it to finance the current requirements prior to tax collection. The annual cost of this policy to the municipalities and states, and indeed to the federal government, cannot be estimated; but it is extremely heavy. In its 1920 report the Special Joint Committee on Taxation and Retrenchment of the New York Legislature cited some interesting examples of heavy costs incurred for the purpose. In Utica, where taxes are not due until September, the city is forced to borrow for the period of eight months at a cost which in 1919 reached the sum of \$20,000. In Syracuse the cost was \$50,000. The comptroller of New York estimated the cost to that city at \$3,000,000 annually; it is now roughly \$4,000,000. In fact, when the budget was much smaller than at present but taxes were not due until September, the cost was even higher—approximately \$5,000,000. It was cut practically in two by a change in the law providing for semi-annual tax collection, one-half payable in May.

Municipal research workers and financial experts generally have advised the gradual advance of tax collection dates to the beginning and middle of the fiscal year as a means of economy. In the report above cited a similar recommendation was made. In support thereof it was pointed out that the mayor of Troy had reported a saving of \$42,000 annually secured by the inauguration of such a policy. Even the little city of Middletown

saved \$7,000 similarly. That it has not become more general is due solely to the objection based on the insistence that the taxpayer withhold his payments as long as possible because of the greater earning power of money in his hands. If the objection is sound, Troy and Middletown have made serious errors which they should correct at once, because the "economy" they cite has been secured at greater cost to the individual taxpayer. New York similarly, instead of making continued efforts to advance the tax collection dates to January and July, should not only give up its present method of collecting one-half the taxes in May, but should postpone the date of tax collection to the very last day of December. So, likewise, should every other municipality and state. Particularly is this important with respect to taxes collected from business corporations, which are unquestionably in a situation permitting them to make profitable use of their money. Will Mr. Cummin be consistent and advocate such a step?

ERRONEOUS PICTURE OF AVERAGE TAXPAYER

In the opinion of this writer the argument is fallacious because it is based on a wholly erroneous assumption that the taxpayer is either regularly under the necessity of resorting to borrowing to meet his tax obligations or that he can readily find investments for the sums at his disposal at attractive interest rates. Both are denied as being far from the situation confronting the average taxpayer.

Taxes levied by the municipality represent the cost of supplying various public services such as health, sanitation, education, recreation, police and other protection, care, cleaning, maintenance, and lighting of streets, water, etc. Like the public utility companies,

the municipality might render bills monthly. For the sake of economy in collection and administration, however, tax bills are presented once or at most twice annually. It must nevertheless be realized that taxes represent regular annual payment for services rendered, and hence should be provided for from the annual income in the same way as are all regular living expenses.

If the taxpayer who makes his payments directly to the community is living within his income—as he should—there is no more reason for his being compelled to borrow to pay his taxes than there is to pay any of his other necessary expenses. This does not mean that he never has to borrow. He may be and occasionally is obliged to resort to pawnbrokers at a cost of 1 per cent a month, or to industrial bankers at a cost to him of 19 per cent. He may be buying an automobile on a partial payment plan at an interest cost of 25 to 35 per cent on the unpaid portion, or a radio, phonograph, or other piece of furniture on the installment plan at a much greater rate as compared with the cost for cash. He may even be paying off a second mortgage on his house which, if he were able to take up in cash, would save him 20 to 25 per cent.

It will be noted that the interest costs here indicated are greatly in excess of the 6 per cent rate mentioned by Mr. Cummin as the value of the taxpayer's money in his own hands. Despite that, the validity of his argument is questioned. The postponement of tax payments for a portion of the year or for a number of years would not mean the application of the sums thus retained to savings of interest costs involved in transactions such as have been indicated. Furthermore, none of them, with the possible exception of a second mortgage, or even a first mortgage, require borrowing for a long

period of time such as would permit the compounding of interest in the manner indicated by Mr. Cummin.

If the taxpayer is a large real estate owner, his taxes do not necessarily represent payments for services rendered to himself. They are business expenses which he passes on to his tenants in the rent. Now it may be necessary for him to borrow for a short time to pay taxes, just as it may be necessary for any merchant or manufacturer to borrow occasionally to meet current obligations in excess of cash on hand. As an annual expense of the business, however, it must be met from current earnings in exactly the same way as must any other expense of the business of operating real estate, such as the janitor's salary or the coal required for heating and hot water.

COMPOUNDING AT HIGH RATE IMPROBABLE

The same weakness characterizes the argument in so far as it deals with the ability of the taxpayer to secure extraordinary returns on his money when invested. The probability is strong that so far as the average taxpayer is concerned the only thing that he can do with the average sum involved in this discussion would be to place it in the savings bank where it would draw at most 4 per cent interest compounded semi-annually. Even that, however, would be granted only from the beginning of the nearest interest-bearing period and provided it remained in the bank until the close of such period. In the form of endowment insurance or an annuity, the earnings would not be much above 3 per cent or $3\frac{1}{2}$ per cent per annum. As for the larger sums in the hands of the large taxpayer, it is just as likely that they might merely add to the balance in the checking account to draw interest, if at

all, at a rate ranging from 2 to 3 per cent. It is not necessarily true that every additional dollar placed in a business will result in additional profits at the same rate as that earned by the invested capital. There are often periods when the uncertain demands of the call money market offer the only possibilities for profitable use of available funds.

Furthermore, there is overlooked the fact that the difference between the possible earnings of industry and the rates paid on municipal bonds is due in part to the additional element of risk involved, which supposedly is not present in the case of securities backed by taxation, with the result that numerous large investing taxpayers are and always have been well satisfied with the lesser earnings accompanying the absence of speculation. If this were not so the question involved in this discussion would not have arisen, for the municipality could not borrow at the lower rate. One reason for the small rates paid by savings banks and insurance companies is the investment of an appreciable proportion of their funds in municipals.

EFFECT OF TAX EXEMPTION

Mr. Cummin mentions exemption from income tax as one of the factors in the excellent credit of municipalities which results in their ability to borrow at a lower rate of interest. He seems to overlook the fact that the additional value which this gives to the nominal interest rate payable on municipal issues represents the loss to the average taxpayer which may be a partial or total offset to the $1\frac{1}{2}$ per cent saving which he estimates is due to his retaining the use of money otherwise paid in taxes. It is very difficult to place a definite value on the factor of tax exemption. There are too many circumstances which affect it. It dif-

fers with the size of the income, especially that portion derived from other sources, and with the number of dependents.

The least that can be said is that the difference between the rate paid on municipal securities and that earned in business is not as great as has been assumed by Mr. Cummin.¹ In the case of the very large investor in this type of security his earnings from the very best type of investments may be even greater than he might have secured from a speculative enterprise. Conversely, this means that the small taxpayer may be suffering a loss on community borrowings from this one factor alone.

COST OF ADMINISTRATION

Another oversight which presents a factor of some importance is the cost of administration involved in borrowing. Frequently a special election must be held. In all cases the issue must be advertised, bids secured, bonds printed, interest must be paid, bonds redeemed, for all of which accounting and supervision is necessary. All this involves considerable cost, even if serial bonds only are issued, and is much greater when there are sinking funds to administer. It is these additional costs in the case of private business that make instalment purchases so much more expensive than cash purchases. The pay-as-you-go policy means their total elimination.

IMPLICATIONS OF "PRESENT VALUE" METHOD

Suppose we accept Mr. Cummin's argument that the taxpayer can make

¹ Tables supporting this statement have been deleted for lack of space. The reader is doubtless familiar with similar tables showing minimum interest rates required on taxable securities to yield incomes equivalent to tax exempt securities.

investments so favorable as to leave him a margin of profit above the tax required to meet the community's debt service, and carry this point of view out consistently to its logical results, we shall see some interesting implications. Inasmuch as the matter gets down to the present value of the difference between the possible earnings of the taxpayer at a higher rate of interest and the costs to him involved in municipal borrowings at a lower rate, "the greater the length of time payment is deferred, the greater the profit to the taxpayer," to quote Mr. Cummin. Despite his comment that it is absurd to issue forty-year bonds to pay for a road that will last only fifteen years, he nevertheless shows that at 7 per cent the present value of the payments for interest and redemption of a 5 per cent bond for this term would be practically 20 per cent less than the cost by the pay-as-you-go method. If, however, the term of the bond issue be lengthened gradually, the saving would be even greater. The present value of the requirements for interest and redemption of a one-hundred-year issue amounts to nearly 30 per cent less than the face value of the bonds.

If, furthermore, the bonds in the example cited were in the form of serial annuities rather than straight serials, there would be an additional "saving" of \$1,300 by "present values." The importance of this fact would be tremendous if the argument were valid. The present output of state, county, and municipal bonds is at the rate of more than a billion dollars annually for the entire country. This means that, if all bonds were issued for terms of only forty years, a "saving" of approximately \$35,000,000 annually could be secured to taxpayers by the simple expedient of substituting serial annuities in all cases for straight serials. As the serial annuity bond approximates

the sinking fund bond in cost for interest and redemption, this may seem surprising. We have, up to the present time, been taught that the requirements of interest and redemption of straight serial bond are less than for a sinking fund bond of the same term. Not, however, in this topsy turvy world of "present values." Here the cheaper is the dearer, and the dearer cheaper. This will perhaps be understood the better when it is realized that the decreased requirements for interest and redemption payments on a straight serial issue result from the fact that the process of actual redemption is thereby hastened. Again we get back to the proposition that if the taxpayer can earn a higher rate of interest the longer he puts off paying for anything secured through his community the less it costs him.

NO CRITERIA FOR DEBT STANDARDS

This means that we are left with absolutely no criteria of any kind for determining standards of municipal borrowing. If it be true that the longer the term of the issue the less it costs, wherein lies the absurdity of issuing bonds for terms exceeding the durability of the improvements financed? The relationship of the term of an issue to the purpose or to the durability of the improvement is of no consequence in the face of this more important factor of lesser cost. Similarly there is no economic basis for determining the maximum term of a bond issue for any purpose. On the other hand there seems to be every justification for a return to the fallacy of the early eighteenth century which led most of the European countries to issue perpetual interest-bearing securities, of which comparatively staggering amounts were outstanding at the outbreak of the late war. It may be objected that their issue was not justified

at all because, having been issued to finance wars, they did not meet the test of representing tangible improvements adding to wealth. Assuredly, however, perpetual bonds should be urged for the purchase of land, which not only lasts forever, but is practically certain to increase in value. Besides, inflation may operate to reduce the face value of the debts to negligible amounts resulting in practical repudiation without loss of honor.

FINANCING RECURRENT CAPITAL OUTLAYS

Mr. Cummin slurs over the results of continued borrowing in such fashion that it may be advisable to point out exactly what happens when capital outlays are recurrently financed by the issue of bonds as compared with financ-

ing direct from tax payments. Attention is therefore called to Table No. 1, comparing the two methods and showing the number of dollars that must be raised by taxation each year under the two plans.

Under the bond issue plan the payments the first year will be \$4,500 for interest and \$5,000 for redemption of principal, a total of only \$9,500, or \$90,500 less than the full cost of the improvements. A debt of \$95,000 remains outstanding, however, interest and redemption of which must be provided for during the following years. Hence the difference in favor of the bond issue method as against the pay-as-you-go plan gradually decreases with each year's output of bonds. In the twelfth year the difference in favor of a bond issue is only \$850; and in the

TABLE NO. 1

TABLE SHOWING COMPARISON IN COST OF FINANCING ANNUAL OUTLAY OF \$100,000 FOR PUBLIC IMPROVEMENTS BY THE PAY-AS-YOU-GO PLAN, AND BY THE ISSUE OF TWENTY-YEAR 4½ PER CENT STRAIGHT SERIAL BONDS

Year	Cost by Pay-as- You-Go Plan	Cost by Issue of Serial Bonds			Difference in Favor of:		Debt Out- standing, End of Year
		Annual Interest	Redem- ption	Total Cost for Year	Serial Bond Issues	Pay-as- You-Go Plan	
1st	\$100,000	\$4,500	\$5,000	\$9,500	\$90,500		\$95,000
2nd	100,000	8,775	10,000	18,775	81,225		185,000
3rd	100,000	12,825	15,000	27,825	72,175		270,000
4th	100,000	16,650	20,000	36,650	63,350		350,000
5th	100,000	20,250	25,000	45,250	54,750		425,000
6th	100,000	23,625	30,000	53,625	46,375		495,000
7th	100,000	26,775	35,000	61,775	38,225		560,000
8th	100,000	29,700	40,000	69,700	30,300		620,000
9th	100,000	32,400	45,000	77,400	22,600		675,000
10th	100,000	34,875	50,000	84,875	15,125		725,000
11th	100,000	37,125	55,000	92,125	7,875		770,000
12th	100,000	39,150	60,000	99,150	850		810,000
13th	100,000	40,950	65,000	105,950	\$523,350		
14th	100,000	42,525	70,000	112,525		\$5,950	\$45,000
15th	100,000	43,875	75,000	118,875		12,525	\$75,000
16th	100,000	45,000	80,000	125,000		18,875	\$100,000
17th	100,000	45,900	85,000	130,900		25,000	\$120,000
18th	100,000	46,575	90,000	136,575		30,900	\$135,000
19th	100,000	47,025	95,000	142,025		36,575	\$145,000
20th and thereafter	100,000	47,250	100,000	147,250		42,025	\$150,000
					219,100	47,250	
Totals for 20 years	\$2,000,000	\$645,750	\$1,050,000	\$1,695,750	\$304,250	\$219,100	\$950,000
To be paid during next 19 years on debt still outstanding		299,250	950,000	1,249,250		1,249,250 304,250	
Grand totals	\$2,000,000	\$945,000	\$2,000,000	\$2,945,000		\$945,000	
Average cost per year	100,000	47,250	100,000	147,250		47,250	

thirteenth the actual payments required for redemption and interest are almost \$6,000 in excess of the value of the improvements secured that year. As a result of the continued accumulation of debt the difference in favor of the pay-as-you-go plan increases year by year thereafter until the twentieth year, when it reaches the maximum. During that year and every year thereafter as long as the policy of issuing bonds is continued the actual payments under the bond method are \$100,000 for redemption of maturing bonds and \$47,250 for interest—a total that is 47.25 per cent greater than the actual value of the public improvements secured by the city. What is more, there will be a debt of \$950,000 outstanding. Even if not another dollar be spent for improvements during the next nineteen years it will nevertheless be necessary to redeem maturing bonds to that amount and to pay interest, the total required being \$1,249,250. If the pay-as-you-go policy should be introduced in a city where financing has previously been by bond issue the result will be practically identical.

Mr. Cummin's attitude to this situation as a result of the assumption he starts with can be characterized as nothing less than startling. He admits an overpayment in actual dollars of 47.25 per cent each year after the twentieth. He stresses, however, only the overpayment in dollars under the pay-as-you-go plan for the first fourteen (it should be twelve) years. Furthermore, by figuring the value of the taxpayer's money at 6 per cent he insists that the cost of each \$100,000 bond issue is \$89,525, a clear saving to the taxpayer of \$10,475 each year despite the fact that he actually pays out \$47,250 more.

This is so amazing a result that one almost wishes it were true, and one

wonders why Mr. Cummin did not analyze to the full the possibilities of a method yielding such startling results. For, although the difference in actual dollars paid out during the first twenty years under the two methods is only \$304,250 in favor of the bond method, computation by present values, even including the redemption of the debt of \$950,000 that remains, would show a profit of \$60,818. If the issue of bonds is continued for a hundred years, however, the profit would have grown to \$90,700. The possibilities seem limitless in favor of the present-day taxpayer. It is to be feared, however, that the taxpayers who must raise in actual taxes \$147,250 twenty years from now, although they get only \$100,000 worth of public improvements, will not appreciate the situation nor see the profit.

A twenty year term, moreover, is too conservative. If the bond issue is a longer one, as it is very likely to be, the difference will be even greater. Table No. 2 has been prepared to show the difference between the pay-as-you-go plan and the bond issue method at various rates of interest for varying terms from ten to fifty years. Conservatively assuming the average term of all bond issues to be approximately thirty years, it will be seen that under the method of continued borrowing to pay for public improvements we must raise in taxes at least \$1.75 for each dollar spent on capital outlays. In New York city, and the state, likewise, where the term is usually fifty years, the cost is almost \$2.50 for every dollar of public improvements.

The question may arise as to why this is not more readily visible and so more easily recognized. The fact may be traced to the weakness of most statistics dealing with debt costs. Even more it is due to the factors that have contributed to the accelerated

TABLE NO. 2

COMPARATIVE COST OF FINANCING PUBLIC IMPROVEMENTS COSTING \$100,000 ANNUALLY BY THE PAY-AS-YOU-GO PLAN AND BY BOND ISSUES

Term of Bonds in Years	Cost by Pay-as-You-Go Plan	Cost by Issue of Straight Serial Bonds			Cost by Issue of Sinking Fund* or Serial Annuity Bonds		
		4 per Cent	4½ per Cent	5 per Cent	4 per Cent	4½ per Cent	5 per Cent
10.....	\$100,000	\$122,000	\$124,750	\$127,500	\$123,291	\$126,379	\$129,505
20.....	100,000	142,000	147,250	152,500	147,167	153,752	160,485
30.....	100,000	162,000	169,750	177,500	173,490	184,175	195,154
40.....	100,000	182,000	192,250	202,500	202,094	217,373	233,133
50.....	100,000	202,000	214,750	227,500	232,751	253,011	273,884

*Sinking Funds assumed to earn the same rate of interest as is paid.

output of bonds within recent years. These factors are the rapid growth of population, the increase of assessed values, and the rise of standards that have led to greatly increased demands on the governing bodies for improvements in keeping with modern conditions of life. The pace has been ever increasing within the last two decades, and was especially accelerated in the years following the war by the decreased value of the dollar. We are very near the peak, however, if we have not actually reached it, and the debt service will soon exceed the annual budget for capital outlays.

BORROWING ENCOURAGES EXTRAVAGANCE

It is true that "there is nothing financially unsound in borrowing" to provide funds for worth-while improvements, especially if they are of the kind that make for efficiency and economy of maintenance, on sound, recognized principles of debt administration. Even if the improvements demanded, though highly desirable and adding substantially to the value of neighboring property, nevertheless represent not economy, but rather the luxury of civic beauty (and additional annual maintenance expenses), it is also not financially unsound to borrow—if the community can afford the expense. No more is it reprehensible

to purchase musical instruments or automobiles on the partial payment plan, or a home with the aid of a purchase money mortgage, if they can be afforded. Indeed, the acquirement of capital facilities on the part of communities by means of bond issues may well be considered instalment purchases.

It is highly probable that the economic development of this country can be traced in part to this method of financing our desires for articles demanding large money outlays. We do know, however, that it has bred extravagance in many individual instances. Is, then, extravagance so much less likely in the case of municipalities, especially when their credit is so good that they are given a period as long or longer than the life of the article purchased within which to pay for it, whereas an individual is given two years at most to pay for a piano that may last twenty years or more? Is not that in itself an extravagance, equivalent at best to renting at cost? Is a continuous performance of borrowing ever anew while paying the debts of the past thirty, forty, or fifty years not an extravagance? And why does it continue, if not because the taxpayers are encouraged by the belief that they are paying no part of the debt they incur, but are passing it on to posterity?

FINANCIAL MISMANAGEMENT A
CONCOMITANT OF DEBT

Unfortunately, too, as Hume recognized 175 years ago, "the practice . . . of contracting debt will almost infallibly be abused, in every government." The pressure of officeholders to reduce the budget and tax rate, at the same time that extraordinary demands are made tending to an increase, is so strong that the temptation is ever present for the "minister to employ such an expedient as enabled him to make a great figure during his administration without overburthening the people with taxes or exciting any immediate clamors against himself." In such an atmosphere abuses and malpractices of varying degree are certain.

There remain, likewise, the difficulties inherent in debt management, which have not disappeared entirely despite recent agitation for sounder methods. It was thought, for example, that with the use of the serial bond, there could be no question of the necessity for redemption by the present generation. Nevertheless, the *New York Times* carried the following advertisements of municipal and state bond issues on May 12, 1924:

<i>City or State</i>	<i>Amount</i>	<i>Purpose</i>	<i>Rate</i>	<i>Maturities</i>
Los Angeles, Cal.	\$700,000	Unspecified (in itself looks bad)	5%	Odd Amounts, 1941-1961
Nashville, Tenn.	310,000	Street Improvements	5%	1930-1953
West Virginia	1,500,000	Highways	4½%	Odd Amounts, 1929-1948

A week later, Morgantown, West Va., offered a serial annuity issue of \$600,000 school district bonds at 4½ per cent, of which the maturities were so arranged as to be too light during the first fifteen years, and thus correspondingly heavy during the last fifteen. Lest it be thought that these are isolated examples, it must be stated

that a long list of similar cases could be cited from recent advertisements, including a road issue of a Texas county maturing in from 11 to 25 years; a White Plains school issue, maturing in from 10 to 24 years; a Norristown school issue running for from 10 to 30 years; a Texas county water issue, running for from 8 to 30 years; a Jackson, Mich., issue, maturing in from 7 to 16 years; an Atlantic City issue, maturing in from 18 to 23 years; a Charlottesville, Va., issue, maturing in from 20 to 40 years; St. Petersburg, Fla., from 27 to 30 years; and a \$900,000 issue made late in 1923 by Wilmington, Del., maturing in from 29 to 33 years.

WE ARE POSTERITY

Assuredly no further comment is necessary on the examples of financial mismanagement visible in the bond issues referred to above. Is there any doubt that they represent cases in which the future was mortgaged and posterity trusted to for payment? David Hume was indeed farsighted. "Posterity," he said, "having before their eyes so good an example of their wise fathers, have the same prudent reliance on their posterity; who, at last, from necessity more than choice,

are obliged to place the same confidence in a new posterity."

The temptation is stronger than ever to avert and put off as much as possible, more from necessity than choice. For we are the new posterity. We have inherited the fruits of all the evil and ignorance of the past in matters of municipal finance. In addition to our

own burdens we are compelled to bear those due to the failure of our predecessors to meet their own bills. Thus our cities have been brought to such a pass that, so far from being extravagant, they have often been much too niggardly in the matter of desired and urgently needed improvements. The "dead horses" of our ancestors and the other mistakes made in creating and administering debts have helped increase greatly our debt service costs. The requirements for interest and redemption of debt are in many instances exceeded only by the requirements for the public schools system. They are a burdensome and vital factor in the growth of the tax rate to the point of confiscation. Not only that, but in numerous instances the borrowing margin has been narrowed and the credit of the municipalities destroyed to such an extent that they have been prevented from entering upon enterprises urgently required for the welfare of the citizens now alive—even such as might reduce maintenance costs by the provision of efficient and economical equipment.¹

NEED FOR PLANNING AHEAD

The case seems therefore strong for Mr. Cummin's vital objection to the pay-as-you-go policy, that to forego wise and necessary public improvements unless they can be financed from current income is foolish and unnecessary. To change overnight from the present system of borrowing with the burdens it has imposed upon us would necessitate severe economy in the matter of capital outlays for a number of years. Otherwise the tax rate would be subjected to so undue a strain as to crack, if it did not increase beyond the

legal limit—as seems highly probable in most instances. There is no question of the difficulty. Does anyone find it easy to escape from the clutches of the loan shark once he has gotten into them?

It is not necessary to swallow the program whole at a single gulp. It can be introduced gradually over a period of years. By including in the tax budget provision for an increasing percentage of the total annual expenditures for capital outlays, the savings in interest can be taken advantage of, as well as the economies in maintenance resulting from the introduction of modern facilities and methods. It would thus not be necessary to curtail any of the improvements and the additional burden would be imposed so gradually as to be comparatively slight.

To show how this would work, Table 3 has been prepared, to cover the case of a city which had hitherto issued \$100,000 of twenty year serials regularly each year and decided to change to the pay-as-you-go policy over a period of ten years. The additional payments required above the \$147,250 annually spent for interest and redemption would rise gradually from \$9,050 in the first year to almost \$51,500 in the tenth. Thereafter the excess would decrease rapidly until the seventeenth year, when there would be a balance in favor of the all cash method. As the bonds still outstanding were retired, this balance would increase rapidly until it reached \$47,250, the maximum, in the twenty-ninth year. By this method the net cost of the change would be slightly more than \$92,000; the savings of the next two years would more than make up for it, after which they would be available for civic luxuries or for tax reduction. The occasional postponement of less urgent improvements would make for

¹ For examples see the Report of the (N. Y.) Special Joint Committee on Taxation and Retrenchment, Legislative Document No. 80, 1920. Chap. V., especially pp. 75-76.

TABLE NO. 3

SHOWING THE ANNUAL REQUIREMENTS FOR INTRODUCING THE PAY-AS-YOU-GO POLICY GRADUALLY DURING A TEN-YEAR PERIOD IN A CITY WITH A RECURRENT CAPITAL EXPENDITURE OF \$100,000 ANNUALLY

Year	Payments for Interest	Redemption of Serial Maturities	Outlays Financed Direct from Taxation	Total Requirements	Comparison with Cost by all Bond Issues		Debt Outstanding at End of Year
					Increase	Decrease	
1.....	\$46,800.00	\$99,500	\$10,000	\$156,300.00	\$9,050.00		\$940,500
2.....	45,922.50	98,500	20,000	164,422.50	17,172.50		922,000
3.....	44,662.50	97,000	30,000	171,662.50	24,412.50		895,000
4.....	42,975.00	95,000	40,000	177,975.00	30,725.00		860,000
5.....	40,950.00	92,500	50,000	183,450.00	36,200.00		817,500
6.....	38,587.50	89,500	60,000	188,087.50	40,837.50		768,000
7.....	35,910.00	86,000	70,000	191,910.00	44,660.00		712,000
8.....	32,940.00	82,000	80,000	194,940.00	47,690.00		650,000
9.....	29,700.00	77,500	90,000	197,200.00	49,950.00		582,500
10.....	26,212.50	72,500	100,000	198,712.50	51,462.50		510,000
11.....	22,950.00	67,500	100,000	190,450.00	43,200.00		442,500
12.....	19,912.50	62,500	100,000	182,412.50	35,162.50		380,000
13.....	17,100.00	57,500	100,000	174,600.00	27,350.00		322,500
14.....	14,512.50	52,500	100,000	167,012.50	19,762.50		270,000
15.....	12,150.00	47,500	100,000	159,650.00	12,400.00		222,500
16.....	10,012.50	42,500	100,000	152,512.50	5,282.50		180,000
					\$495,297.50		
17.....	8,100.00	37,500	100,000	145,600.00		\$1,650.00	142,500
18.....	6,412.50	32,500	100,000	138,912.50		8,337.50	110,000
19.....	4,950.00	27,500	100,000	132,450.00		14,800.00	82,500
20.....	3,712.50	22,500	100,000	126,212.50		21,037.50	60,000
21.....	2,700.00	18,500	100,000	121,200.00		26,050.00	42,000
22.....	1,890.00	14,000	100,000	115,890.00		31,360.00	28,000
23.....	1,260.00	10,500	100,000	111,760.00		35,490.00	17,500
24.....	787.50	7,500	100,000	108,287.50		38,962.50	10,000
25.....	450.00	5,000	100,000	105,450.00		41,800.00	5,000
26.....	225.00	3,000	100,000	103,225.00		44,025.00	2,000
27.....	90.00	1,500	100,000	101,590.00		45,660.00	500
28.....	22.50	500	100,000	100,522.50		46,727.50
29.....	100,000	100,000.00		47,250.00
					403,150.00		
Net increased cost.....					\$92,147.50	\$403,150.00	

economies tending to shorten the period. After the ninth year, too, there would be additional savings of the sums that would ordinarily be spent on the preparation of bond issues.

This requires, however, a change in attitude and in method. We must cease to consider the taxpayer in so static a fashion, taking each year's budget by itself and each year's tax rate as separate and apart from every other coming before or after. We

must give heed to the dynamic continuity of both budget and taxpayer, and realize how the expedients of one year leave their marks during the succeeding years, if not decades. It is necessary to lay out a program of the capital outlays required for a number of years ahead in order of their urgency and the ability to pay for them. It will then be a simple matter to distribute the costs equitably over succeeding years in proportion to the increase in population and wealth.

BORROWING FURTHER DEFENDED

A REPLY TO MR. ZUKERMAN

BY GAYLORD C. CUMMIN

THE writer realized fully when he stepped on the tail of a dogma advocated by "municipal research workers and financial experts" that he would get the usual yelp. It has arrived. It is manifested in the usual manner under such circumstances. My argument is "amazing," and "absurd"—to Mr. Zukerman, which, although perhaps satisfactory to him, is far from being conclusive to others. My statements are twisted and garbled and half digested so that I am made to say things that I never said. Learned and lengthy statements are included that either have absolutely nothing to do with the question, or else are so remotely related to it that they serve to becloud instead of clarify.

MAY BE COSTLY TO PAY CASH

Mr. Zukerman's statement of my thesis as being "that it is more costly to pay cash than it is to purchase on the installment plan if only your credit is good enough" is misleading. It is more costly to pay cash than to purchase on the installment plan *if you can earn a higher interest rate on your money than you must pay on the deferred installments*, but this is a very different thing. Mr. Zukerman accuses me of pointing out a way "for us as individuals to become wealthy by borrowing on our excellent credit as a community." It is feared that Mr. Zukerman's natural indignation at a heretical attack upon one of the panacea-ists articles of faith has drawn conclusions somewhat at

variance with any statements or intimations in my article.

Passing over without comment the inclusion of compound interest among "higher" mathematics we will consider briefly the accusation of faulty reasoning on my part as the basis for Mr. Zukerman's disagreement with my findings. In the first place my discussion was concerned entirely with financing public so-called "permanent" improvements and had nothing to do with financing the *operation* of the city by temporary loans which is an entirely different question. I am thoroughly consistent in saying that I think undue importance has been given by "municipal research workers and financial 'experts' generally" to the "savings" made by advancing the date of tax collection and this in spite of the eminent authorities quoted, who, incidentally, might possibly be wrong. I will complete this statement, however, by adding that as this financing is for covering the cost of *service*, sound business would require that it be paid for as received. The problematical earnings of the taxpayer on his money for terms of a few months are probably offset by costs of administration, badly placed maturities, etc. I believe that there is not much loss or gain whenever the tax collection date is set during the fiscal year. If it makes the above mentioned "municipal research workers," etc., any happier to change the tax collection date they are doing no harm although in most cases wasting

time and energy that might be more profitably employed. But let us return to our muttons.

THE ARGUMENT SUMMARIZED

The reasoning employed in my discussion has four essential elements which may be stated as follows:

1. The financing of a public improvement should satisfy two requirements, *i.e.*, it must be sound from a business point of view and it should be as cheap as possible consistent therewith.

Mr. Zukerman claims that my argument leaves "no criteria of any kind for determining standards of municipal borrowing." As a matter of fact my article stated clearly that the term of no bond issue should exceed the reasonable life of the improvement for which it pays. To cover the special case of land cited by Mr. Zukerman as being everlasting, conservative financing would judge its "life" as here considered as being that term of years during which the future condition of the community could be reasonably predicted. This should not much exceed a generation, say forty years, as an outside limit.

Mr. Zukerman has, therefore, totally disregarded the emphasis put upon this point. The writer has always and is still preaching and working against excessive term bonds as against sound business principles. The fallacy of issuing non-redeemable, perpetual interest-bearing securities is absolutely "scotched" by the requirements for a justifiable bond issue as laid down in my article.

2. If a man can borrow money at a lower rate than he can earn on it he can make a profit by borrowing.

This would seem to be axiomatic.

3. The taxpayer either has or must borrow the money to pay his tax. Evidently the statement above covers the only two possible conditions. The taxes referred to by the writer were plainly those covering the cost of "permanent" improvements and not operating expenses, so Mr. Zukerman's able discussion on the average taxpayer's duties in paying for service has no bearing.

4. The use of the taxpayer's money is worth more to the taxpayer than the rate that the community must pay for the use of money.

This last seems to be the only arguable point between the writer and Mr. Zukerman. All the rest of his arguments are either based on misstatements, or misunderstandings of my position or upon matters not pertinent to the subject under discussion.

TAX-PAYERS' MONEY WORTH MORE

The writer contends that the use of the taxpayer's money is worth more to the taxpayer than the rate the city must pay for the use of money, while Mr. Zukerman holds that the statistical abstraction known as the "average taxpayer" cannot find use for the sums at his disposal at better rates than the city must pay for the use of money. It is perfectly true that many taxpayers will not invest their funds to advantage, but there are some who will. All that good public policy can do is to give the opportunity. To argue that the opportunities of the investor for long term use of money are limited to savings bank interest, annuities, etc. is "bunk." Mr. Zukerman apparently thinks that my assumption of 6 per cent as the value of the taxpayer's money means an "extraordinary return." No business man or investor will agree with him, but allow that the

taxpayer's money is worth one quarter of 1 per cent more than the rate the city must pay and my argument is good. The writer fears that Mr. Zukerman is unduly pessimistic about investment possibilities and the profitable use of long-term funds. Just how Mr. Zukerman's discussion of the effect of tax exemption enters into the argument the writer fails to see. The fact remains that municipalities are tax exempt and this gives them an advantage in market price over rails or industries of the first class. As long as the condition exists the cities might as well reap their individual advantage from it.

The reasoning in the four numbered paragraphs above is certainly far from being wild. Two of them are self-evident, one a declaration of sound principle with room for difference of opinion as to details and the last open to argument.

Mr. Zukerman deplores the "oversight" of the cost of debt administration. It was no oversight, but if Mr. Zukerman will examine the actual cost of debt administration he will find that it is negligible for purposes of this discussion. It is true that some fool state laws make this cost higher than it need be but even then it is comparatively small.

RESULTS OF RECURRING BORROWING

Mr. Zukerman claims that the writer "slurs" over the results of recurrent borrowing and feels obliged to point out by the use of many figures and much discussion the error of my ways. He has apparently entirely failed to grasp my argument which is perhaps my fault in not going into more detail. However, this is simply a special case of the comparative costs of a bond issue against payment from current tax. Based on the assumption of pay-as-you-go against a 20-year 4½ per cent bond issue figuring the

taxpayer's money as worth 6 per cent to him, my discussion showed that a \$100,000 improvement cost the full amount on the pay-as-you-go as against \$89,525 on the bond issue method. It is fairly evident that each year the city would be faced with the alternative of financing its annually recurring improvement by one of these two methods. The bond issue method is the cheaper to the taxpayer and the fact that in this instance a recurring expenditure is being considered does not change the situation. By no possible means can the sum of annual savings of fixed amount become a loss.

Mr. Zukerman points out the financial mismanagement in handling our public debt. His examples are entirely too mild and not necessarily very bad. The writer can furnish him with a whole chamber of horrors in this connection. He also knows of excellently handled public debt. Buyers of municipal securities can correct all serious evils in debt management by being even a little discriminating in their buying and refusing to deal with cities committing serious financial sins. To urge that cities should not borrow money because they sometimes abuse the privilege hardly seems to be the best solution of the problem of public finance.

In closing it is desired to emphasize the fact that wisely-made public improvements help to pay for themselves and that "posterity" is not suffering if helping to pay for an improvement which it enjoys. The application of the same methods of sound finance that apply to industry, apply to cities also. There is no magic wand that can cure or curb municipal errors, mismanagement or extravagance without bringing other and perhaps worse evils in its train. Many cities are being wisely and economically financed, many are not getting things they need

and can afford because of ideas of false economy. The standards of municipal finance are constantly rising, and though evils and bad practices still and probably always will exist there is no

present necessity for crippling the ability of a community to progress by saddling it with an economically expensive financial policy to curb "extravagance."

THE DRIVE BY PUBLIC SERVICE CORPORATIONS AGAINST DEPRECIATION PROVISIONS

BY JOHN BAUER

New York City

Is it proper to permit the companies to include in the rate base the properties created through reserves paid for by the public? :: ::

For a number of years there has been a country-wide drive by public utility corporations and railroads against the established depreciation policy. This has become particularly energetic during the past year. The immediate reason for this article is the petition of the Empire State Gas and Electric Association to the public service commission of the state of New York for the modification of the uniform system of accounts relating to depreciation charges and reserves,¹ and

the recent appearance of the railroads before the interstate commerce commission against the proposed depreciation rules to be included in the accounting requirements.

THE PREVALENT DEPRECIATION METHOD

The uniform systems of accounts for public utilities in the state of New York have been in effect for nearly fifteen years. The provisions for depreciation have been practically unchanged during the entire period, and had been adopted in substantially the same form by most commissions in other states. Similar accounts have been included in the classifications prescribed by the interstate commerce commission for railroads and various interstate utilities. Depreciation charges and reserves, therefore, have become an established part of the public utility and railroad accounting systems, and are deeply fixed in our methods of regulation.

With unimportant variations, the prevailing provisions for depreciation involve these two requirements:

¹Since this article was written, the public service commission of the state of New York has approved the petition and has changed the accounting requirements accordingly. By this action the commission has assumed an inconsistent position; while it has eliminated depreciation charges from the accounts, it continues to include them in the cost of service for rate making and to deduct accrued depreciation from cost new of the properties for the rate base.

This is another evidence of the deadlock in regulation discussed by the writer recently in the REVIEW. A more comprehensive and detailed presentation is about to be published in a volume dealing with the entire problem of effective regulation.

1. In addition to actual repairs and minor replacements of property, charges to operating expenses for the estimated amounts of property worn out in service or otherwise rendered unsuitable.

2. To correspond with the preceding depreciation charges, the creation of a depreciation reserve, against which is charged the original cost of all property retired from service.

The depreciation charges to operating expenses represent the part of the property costs which properly belong to the year's cost of operation, while the depreciation reserve shows the total of all such past charges made in connection with the existing property in service. The periodical charges are credited or added to the reserve, while the cost of plant and equipment retired is debited to or deducted from the reserve. At any point of time, the difference between the cost of the properties in service as shown by the accounts, and the amount of the depreciation reserve shows the undepreciated cost chargeable to future operation. In other words, the property accounts show the total original or actual cost of the existing properties; the depreciation reserve shows the part of such original cost already charged off to past operation, while the difference between the total original cost and the reserve gives the amount chargeable to future operation during the remaining life of the property in service.

Unfortunately, these excellent provisions have been to a large extent empty formalities. The commissions, for the most part, have not had the power, or have not exercised it, to compel the companies to live up to the implied requirements. Moreover the property accounts in most cases do not reflect the actual cost of the property in service as contemplated. The entire accounting supervision over property costs and depreciation has been

largely fruitless up to the present. The accounts cannot be trusted to give either the original cost of the property, or the amount of accrued depreciation properly chargeable to past operation, or the undepreciated cost chargeable to future operation.

While the actual accounting practice has been far from satisfactory, nevertheless the basic machinery exists by which the commissions under adequate legislation, could exercise thorough regulation.

THE COMPANIES' PROPOSAL

Against the generally accepted accounting requirements of charging full depreciation and creating a corresponding reserve, the companies propose to include in operating expenses either the direct cost of renewals or an amount equal to the average cost of replacements for a comparatively short period of years.

The companies assert that the accumulation of large reserves under existing accounting rules is unnecessary. Their view is that after the property has become well established, the annual replacements tend to equalize themselves, and that no reserve is necessary beyond the mere equalization of the annual renewal costs. They urge that the charges to operating expenses should not be any "estimated" depreciation, which is viewed as hypothetical and conjectural, but actual costs of replacements which are definite.

The companies further assert that the depreciation charges place an excessive burden upon the public through high rates fixed for service. If charges in the guise of depreciation are made, they are then included in the costs which determine the rates charged to the public. The depreciation policy, therefore, is challenged as an imposition upon the public to provide large

reserves which are never needed for the renewal of the properties.

A special point in the companies' proposal is that of obsolescence. The replacement or retirement of property is often due, not to mere wear and tear, but to progress in the arts. The depreciation system contemplates that such obsolescence shall be provided for through prior depreciation charges, so that whenever a unit of property is retired for any cause, including obsolescence, it can be immediately written off against the reserve and replaced out of accumulated funds. Against this principle, the companies assert that the factor of obsolescence cannot be predetermined and that in any event the cost of improvements should be placed, not upon present but upon future rate payers who get the benefit of the improvement.

The companies have presented their view so insistently and have used the support of so many high standing names in finance and in public utility and railway management, that they have made apparently an impression upon public authorities. They have already succeeded in obtaining their desired accounting changes in a number of states, and their recent appearance before the interstate commerce commission seemed to make a favorable impression upon at least some of its members.

THE MERITS OF THE COMPANIES' CONTENTIONS

As to the merits of the issue, we are dealing here with elementary accounting and financial principles, which should not require a defense except for the extraordinary campaign of the companies. Whether depreciation or renewal costs should be charged to operating expenses, is a simple problem of cost accounting, with an obvious answer. Public utility rates are gen-

erally based upon the cost of service, which should be stated correctly at all times to lay the foundations for proper rates. The question, therefore, is what are the actual costs which should be covered by the rates: depreciation or renewal charges?

It seems axiomatic that any unit of plant or equipment is used up in operation during its lifetime, and therefore its original cost should be charged periodically against the operation of that lifetime. The companies' proposal, however, is to postpone the entire charge until the close of the life, and then to include the full original cost in operating expenses. As a matter of common sense, which of these methods is intrinsically correct? Which is the right basis of cost for the establishment at any given time of proper rates for service?

For illustration, we may assume any unit of plant or equipment. Take a street car costing new \$10,000, with a lifetime of twenty years. What is the proper charge to operation? Under the depreciation method, the original cost of \$10,000 would be distributed approximately evenly over the twenty years, or about \$500 a year, as the annual cost of wear and other deterioration. Under the companies' proposal, nothing would be charged until the end of the period when the entire \$10,000 would be included in operating expenses. Manifestly, however, the car is used up in the operation of the twenty years, and its original cost should be prorated on the basis of the relative annual use.

The only argument that could be plausibly made to support the companies' view is that in a large corporate property the renewals of the great variety of different kinds of plant and equipment will be fairly equal from year to year, so that roughly the actual renewal costs would approximate the

depreciation requirements. To the extent that this is true, of course, the renewals would be equivalent to the depreciation, and would be the same thing under a different name. But the reality is that plant and equipment depreciate during their lifetime, and the cost belongs to each year according to the annual depreciation.

THE EFFECT UPON RATE PAYERS

As to the effect upon the rate payers, the companies appear particularly insincere.

First, let us consider the older properties which have reached an average age and a settled condition. In these cases, if they are large and varied properties, the renewals may be fairly even from year to year. But where this condition obtains, the average annual renewal costs, as already stated, would be the same as the depreciation charges. Assume a street railway company with 1,000 cars in operation, each costing \$10,000, or a total original cost of \$10,000,000. On the assumption of a settled condition and an average life of 20 years, each year 50 cars would have to be replaced at a total renewal cost of \$500,000. But the depreciation rate would be 5 per cent on the cost of the cars, or \$500,000 a year. Thus the annual replacement and the depreciation would be the same, and the burden on the public identical.

In the case of newer properties, however, before an average settled condition has been reached, the depreciation charges would be higher than the annual renewals. But depreciation is nevertheless constantly at work, although it begins to manifest itself in actual renewals only in later years. Consequently, rates during the earlier years, based upon replacements, would be lower than if based upon depreciation. Thus the earlier consumers would not bear the full cost of the

service and would pay less than the later when full annual replacements are reached. In other words, the earlier rate payers would have an advantage over the later ones at the expense of adequate reserves for the stability of the properties and the service.

EFFECT UPON THE COMPANIES' FINANCES

Besides the primary purpose of stating correctly the cost of service, the depreciation system seeks to preserve the financial stability of the business. It requires that during the lifetime of the various units of property, full provision shall be made for their replacement, so that whenever renewals take place for any cause whatever, funds shall have been provided for the purpose. A company is thus prepared at all times to take advantage of progress and to replace all obsolete or other unsuitable facilities with economical plant or equipment. But, under the replacement policy, it would not make prior provision for obsolescence, and in the face of important advances would find itself unable to finance the desirable improvements.

Moreover, even if under the renewal system a company can finance the improvements, it would nevertheless be compelled to carry a double load of fixed charges. It would have to pay interest on the bonds issued for both the new and the obsolete or abandoned properties. This condition now confronts most of the street railways and many electric light and power properties, also railroads and other utilities. They have not made provision for obsolescence, and they now face either the impossible problem of making desirable renewals without reserves or of carrying a double load of interest charges. On the public side, the benefit of progress is thus grossly retarded.

Rate decreases in either case are deferred long after a reduction in the reasonable cost of service has been made available.

THE PRACTICE OF OUTSTANDING INDUSTRIAL CORPORATIONS

In sharp contrast to the companies' proposal is the fact that the depreciation policy has been gaining rapidly in unregulated competitive business. It has the approval of practically all accounting, engineering, economic, financial and management authorities. It has been particularly adopted by large industrial corporations, which are compelled constantly to watch their finances, to keep their operating or production costs to a minimum, and to meet ever threatening competition.

For example, the United States Steel Corporation (Poor's 1923 Industrial Manual) has a total gross property account of \$2,061,000,000. Besides the actual cost of repairs and renewals charged directly to operating expenses, the company in 1922 made an additional depreciation charge of over \$47,000,000. Its accumulated reserve for "depletion and depreciation" amounts to \$429,451,000. In addition, however, it has an "appropriation for additions and construction" of over \$140,898,000, a reserve for "contingencies, pension and miscellaneous funds" of over \$133,337,000, and besides a general surplus of \$499,139,000. The total stated reservations out of past earnings thus amount to about \$1,200,000,000, or 58 per cent of the property account of \$2,061,000,000. This provision of reserves is far beyond the standard contemplated for public utilities and railroads, but it places the company in a super-safe financial position to meet all probable industrial changes; to discard plant and equipment ruthlessly whenever superior facilities are available.

Space forbids a survey of other outstanding business corporations in relation to their accumulation of depreciation and allied reserves. But it is safe to say that the majority of large industrial concerns have adopted a liberal depreciation policy, providing adequately for all desirable replacements, with the purpose of safeguarding beyond question the financial security of the business. This is the only way by which they can meet all pressing and latent competition.

The reply may be made that the public utilities are to a large extent protected from competition and therefore do not need to meet depreciation before the actual time of renewals. But the fact that there is immediate freedom from direct competition, is no reason why a sound financial policy should not be followed. A burden of fixed charges for obsolete properties at a time when new facilities are urgent is just as disastrous for public service corporations as for industrial enterprises.

PROBABLE UNDERLYING REASONS FOR THE COMPANIES' POSITION

It is improbable that most of the public utility and railroad companies are sincere in their championship of renewal versus depreciation charges. Their real purposes, with perhaps some exceptions, are not disclosed in their discussion. Their concern is not either to keep operating expenses down and rates low, or to prevent the accumulation of reserves that may not be needed for replacements. Their chief purposes are probably two-fold: (1) to free themselves from the financial restrictions imposed by the commission's accounting requirements (if these were effectively enforced), and (2) to establish through a flank movement the position that rates should be based, not upon the cost of the properties less

depreciation, but upon reproduction cost without deduction for depreciation.

The first point is the less important and in some instances probably does not figure at all. But many companies have already accumulated substantial reserves under the commission's accounting requirements. So long as these have the force of law, the reserves must be kept inviolate for the purpose of their creation. If, however, the companies' proposals were accepted, the accumulated reserves would be freed for any corporate purpose whatsoever. They might be invested in permanent improvements, upon which a return would be demanded in the rates, or distributed in stock or cash dividends. In other words, while the reserves were accumulated through charges to operating expenses which were included in the rates charged to the public, the companies propose now to treat those reserves as surplus without regard to the fact whether they have earned besides a fair return on their investment.

But the chief purpose is to support the companies' contention for reproduction valuation without any deduction for depreciation. This has been the center of conflict in regulation. The commissions have mostly held the view that the proper basis of return, or rate base, is the actual cost of the properties used in public service, less depreciation. This is consistent with the accounting requirements relating to depreciation.

During the period of rising prices, especially since the war, the companies have been urging more and more insistently that the return should be based upon reproduction cost of the properties without deduction for depreciation. As to the latter, however, they have felt themselves in a mani-

festly inconsistent position. If they include depreciation charges in operating expenses and accumulated a depreciation reserve through payments by the public, how can they at the same time without embarrassment ask a return on the reproduction cost of the entire property without deduction for depreciation? But if the accounting requirements were modified and the reserves were unlocked for any corporate purpose, then they could maintain more plausibly their position. To support their view, therefore, they are eager to eliminate from the statutes, the accounts and regulations of the commissions all references to depreciation. They wish to exterminate the entire concept, otherwise the idea is bound to interfere with their demands for reproduction cost without deduction for depreciation.

The question of whether depreciation should be deducted from the cost new of the properties, involves many billions of dollars in the various public utilities and railroad properties throughout the country. No change should be permitted by the commissions in accounting methods which in a left-handed way would help the corporations to establish a basis of valuation which is not justified by the facts.

The public has no objection to paying the cost of service, including depreciation and accumulating adequate reserves, provided that the funds are safeguarded and are not then included in the valuation on which rates are based. This is the crux of the matter. The companies now wish to include in the rate base the properties created through reserves paid by the public. If this were permitted, it would be palpably unjust to the consumers, and the purpose should not be advanced indirectly by permitting a departure from correct accounting methods.

ITEMS ON MUNICIPAL ENGINEERING

EDITED BY WILLIAM A. BASSETT

Traffic Casualties.—Illuminating disclosures in respect of traffic casualties in nineteen American cities were recently made public by the commission of publicity and efficiency of Toledo, Ohio. The cities from which these data were obtained ranged in population from 888,500, that of Cleveland, Ohio, to 241,800, which is the population of St. Paul, Minn. The conditions disclosed may be said to be representative of conditions obtaining in our larger cities. It is of interest to note that during 1922-23 over 80,000 persons were killed or injured as the result of traffic accidents in those nineteen cities. Any comparison of traffic accidents *per se* occurring in different cities is not sound on account of the lack of uniformity in the determination of what constitutes an accident. As some cities only consider as accidents, those occurrences which result in personal injury, the latter constitutes a fairer index of comparison. Analyzing, on this basis, the information obtained from the above cities, it was found that traffic injuries increased 34 per cent in 1923 over those of the previous year, while the increase in motor vehicles registered in those cities ranged from 20 to 30 per cent.

An increase in accidents alone does not prove that the traffic menace in a city is growing. A more determining factor is the increase in the number of motor vehicles. Thus, although the number of traffic accidents in Cleveland during 1923 showed an increase of 25 per cent over 1922, the number of motor vehicles on the streets of that city in 1923 was 28 per cent greater than during the preceding year. Other cities could profit with advantage from the experience of Cleveland in meeting its traffic problem. Although in population one of the largest cities in this country, it ranked thirteenth in the number of accidents per 1,000 population during 1923 and thirteenth in the number of traffic injuries per 10,000 of the nineteen cities in which conditions received particular study. A wide disparity was found among the latter in respect of the number of traffic casualties. Thus three Pacific Coast cities, Seattle, Los Angeles and Portland, have the undesirable distinction of leading the others in the number of injuries per 10,000 population. Thus Seattle, which has

about the same population as Rochester, N. Y., showed double the number of traffic injuries during 1923 as the latter city. Also the cities of New Orleans, St. Paul, Minn., and Columbus and Toledo, Ohio, during 1923 had about one-third the number of traffic injuries per 10,000 as the Pacific Coast cities.

Careful consideration should be given, by the latter cities, to the contributing causes for the high traffic hazard prevailing in these places. The relation between provision made for traffic control by different cities and the number of traffic casualties in those communities is of interest. An analysis of these factors indicates that as the number of traffic officers per 100,000 population increases the number of traffic casualties decreases. Each additional traffic officer apparently represents an annual saving in property, life and limb. The outstanding exception to this is the city of Los Angeles which with the maximum police traffic protection of the cities surveyed shows the largest number of traffic injuries. This situation would seem to demand drastic action on the part of both the public and the city government directed towards remedying an intolerable condition.



Combined Treatment of Sewage and Garbage.

—Final disposition of municipal garbage by grinding and subsequent discharge of this material into an outfall sewer which conveys it to sewage treatment works, are features of a plan designed to provide necessary service in this matter for the city of Lebanon, Pa. The population of Lebanon according to the 1920 census was 24,643. The city has a separate system of sanitary sewers and treatment works comprising Imhoff tanks, chlorine dosing tanks and sprinkling filters. According to Dr. Clarence R. Fox, City Chemist and Mr. W. S. Davis, city engineer of Lebanon, who describes the main features of this plan in the *Engineering News-Record*, the volume of sewage treated at the plant approximates 8,000 tons per day of which about 0.2 per cent is solid matter. It is estimated that from ten to twelve tons of garbage will be collected daily and conveyed to the grinding plant which is to be

located over the main outlet sewer near the center of the city. As garbage consists of from seventy-five to eighty per cent water it is estimated that the solid matter added to the sewage under the proposal arrangement will not exceed three tons per day. This represents an increase of about nineteen per cent.

At present garbage and other classes of municipal waste produced in Lebanon are collected by private scavengers at a cost to the individual householder said to be about \$7.80 a year for the service. Final disposition of waste is by dumping, and apparent lack of control over this work by the municipality has resulted in conditions alleged to be generally unsatisfactory. The proposers of the plan in question estimate the total cost of collection and disposal to be not over \$4.00 per ton. Assuming that the entire community is to be served in each case, this would indicate a cost comparable to the present one under conditions that should eliminate the undesirable features of the present arrangement. Just what the effect of this method of disposal would have on the operation of the sewage treatment works offers an interesting field for speculation. The increase in the solid matter of the sewage treated would probably necessitate additional capacity particularly in the sludge digestion chambers of the Imhoff tanks and enlargement of sludge drying beds. Also cost of final sludge disposal would be increased.

There are substantial difficulties in securing satisfactory operation of Imhoff treatment works with sewage of a normal consistency. Whether or not the introduction of a considerable amount of additional organic matter would increase the burden of a plant of this type so as seriously to interfere with efficient operation and demand possibly extensive expenditures to accomplish the latter is problematical. There might be some question whether adequate municipal control over collection and disposal by dumping would not have ensured satisfactory results without resorting to other methods. Obviously the proposed arrangement will require complete separation of garbage from all classes of waste. This is difficult of accomplishment in a community accustomed to mixed collection. The plan is, however, a novel one and deserves a fair trial.



Corrosion Said to Contribute to Water-Borne Disease Epidemic.—Another water-borne disease epidemic due to an unusual combination of causes

took place recently in South Pasadena, California. According to the *Engineering News-Record* this epidemic is attributed to contamination of the public water supply by leakage from a sewer which gained access to a low-pressure water pipe through holes believed to have been made by the corrosive action of sewer gas. The contaminated supply was obtained from three 12-inch wells, 250 feet in depth which tap a water plane located 70 feet below the surface. This water is delivered to collecting sumps or reservoirs located adjacent to the wells from which a part of this supply flows by gravity to the pumping station through a 12-inch riveted steel pipe line which was installed about fifteen years ago. At a point where the steel pipe line crossed directly over an 8-inch vitrified sewer, the steel pipe was found to be badly corroded with about a dozen holes varying from the size of a pinhead to one-fourth inch in diameter. The sewer had a cover in this vicinity of about two feet nine inches and investigation disclosed a longitudinal crack in the crown of the sewer through which it is probable that sewer gas escaped in sufficient amount to corrode the water line. It was further ascertained that during the two weeks just before the epidemic and on previous occasions, the main sewer system into which the line in question discharged, had overflowed as the result of stoppage, sufficiently to back the sewage up about a foot higher than the top of the steel water pipe. This condition together with the corrosion afforded a means for the direct contamination of the water supply. Prompt action in replacing the corroded water line and disinfection of the water in the reservoirs apparently arrested the outbreak before a serious situation developed. From the printed report on this epidemic it would appear that more effective control over the quality of the water supply of South Pasadena would have prevented its occurrence. Also the conditions contributing to this outbreak illustrate the importance of efficient sewer maintenance to guard against stoppages of the system together with the necessity for careful protection of water lines from corrosive action such as took place in this particular case.



Preventing the Misuse of Sewers.—The prevention of misuse of sewers by exercising suitable control over the placing and use of all connections to public sewerage systems, does not, in most communities, receive the

attention that this important matter deserves, although failure to do this increases materially the cost of operating these systems and can cause serious economic loss to the community. This is due to the fact that sewers are designed to provide certain definite service and when this service is modified materially there results a misuse of the sewer. Thus storm sewers are designed to carry off surface water. The introduction of sewage or industrial waste of any kind into a storm drain constitutes a misuse of that drain. Similarly sanitary sewers are designed to provide for carrying off house sewage only and are misused if surface, subsoil or roof drainage together with any kind of industrial waste is discharged into these sewers. Combined sewers are likewise misused by the introduction into the system of certain classes of industrial wastes.

Certain of the results that follow the misuse of sewers have been outlined by W. H. Dittoe, chief engineer, Ohio state department of health, in a paper appearing in the *Transactions* of the American Society of Civil Engineers substantially as follows:

The effect of the misuse of sewers is frequently quite serious. Sewage discharged into storm sewers causes nuisances at outlets and offensive odors through street inlets. If such practice is permitted, the benefits to be expected from a separate sewerage system are not realized. The admission of surface and subsoil drainage to sanitary sewers overtaxes the sewerage system, resulting in cellar flooding and damage to sewers, and overburdens the pumping equipment and sewage treatment works, necessitating by-passing of the flow, impairing the efficiency of the plant, and frequently causing rapid deterioration. Industrial wastes often cause clogging or may actually destroy the sewers if the wastes have solvent properties. Many industrial wastes also interfere seriously with the efficiency of sewage treatment plants. Of the more troublesome in-

dustrial wastes, may be mentioned: Wastes from tanneries and glue factories containing hair and lime; wastes from textile industries containing cloth, fibrous material, and objectional compounds in solution; wastes from canning factories containing vegetable particles; wastes from stockyards containing manure; wastes from packing plants containing animal offal; gasoline wastes from garages; acid wastes from metal industries; wastes from milk industries; and gas-house wastes. Such wastes should be treated properly prior to their discharge into the public sewers, or they should be excluded entirely.

It is obvious that the proper use of sewers cannot be secured without strict enforcement of ordinances and regulations by the proper municipal officials. The sewer contractor and the property owner cannot be expected to realize the importance of using the sewers properly and for the purposes for which they were designed to function, and, therefore, they must be controlled in order that the public may not suffer from their mistakes.

Many municipalities have satisfactory ordinances and regulations, but fail to enforce them. Such ordinances usually require permits for connections to the sewers and provide for inspection of the connection by a representative of the municipality after the contractor has completed the construction work and before the trench is filled. Theoretically, this control should be sufficient, but too frequently the results are far from satisfactory. In many instances, the construction work is faulty, joints are made imperfectly, admitting ground-water to the sewer, the inspection is neglected or performed carelessly, improper wastes are admitted, and no proper record of the connection is maintained. When this system of control is started improperly, it is difficult to correct it and make it efficient, and usually the conditions become worse rather than better, until the sewer system is generally abused.

NOTES AND EVENTS

Connecticut Begins Crusade to End Sign Peril.—Hundreds of signs and billboards have been ordered removed from the state highways by the Connecticut state highway department. In some cases the state police are investigating the more flagrant violations of the statute against dangerous billboards with a view of prosecution. Most of the signs are *prima facie* illegal because they are placed at dangerous curves or intersections where they most easily catch the eye of the motorist, but where the most careful attention of the driver is needed to avoid accident.



Massachusetts City Votes Against Recall.—Mansfield, Massachusetts, has passed through an exciting time which hinged on the solicited resignation of the former town manager. Recall petitions were issued against the three selectmen who compelled the resignation of the manager, but the people voted to retain them by a balance of over 200 votes. The manager form is now in its fourth year in Mansfield, but there has been some friction arising out of the selection of selectmen. It would seem to the advantage of the city to abolish the old-fashioned town meeting and substitute the Australian ballot for the election of the governing board.



Detroit Tax Dollar.—A recent issue of *Public Business*, published by the Detroit Bureau of Governmental Research, is devoted to an exposition of the city budget for 1924 and 1925. Included is a table showing just how the citizen's tax dollar has been spent. Approximately 24½ cents go to the public schools, 18½ cents for debt charges, 12 cents for police protection, 8½ cents for fire protection, 6½ cents for street cleaning, 6½ cents for repaving and repairing streets, 2½ cents for hospitals and 3½ cents for public health services, and 5½ cents for general administration.



Detroit Considering Civil Service Control for Street Railway Employees.—The Detroit street railway commission is considering placing the employees of the municipal railway under the jurisdiction of the civil service commission. The

move is being held up at present by the controversy with the union platform employees, but there is reason to believe from the expressions of members of the commission that the final decision will be favorable. The commission, of course, is anxious to retain the same freedom as heretofore with respect to the management of the men, but there is no reason to believe that a civil service commission would embarrass them at this point.



New Traffic Regulations for New York.—A cruising taxicab constitutes a serious traffic problem to a greater extent in New York than in our other cities. Any man who can beg, borrow or steal sufficient money to buy a second-hand car and pay for a license can enter the taxicab game. These drivers are known as "buckers," and must depend upon fares which they pick up at the curb.

By a recent order, cruising vehicles are prohibited from operating on Fifth Avenue from Waverly Place to Sixty-fifth Street, and on Broadway between Twenty-third Street and Fifty-ninth Street, between 8 o'clock in the morning and 12 o'clock midnight. More rigorous parking regulations also have been established on several busy streets, prohibiting a vehicle during certain hours of the day from standing at a curb except while actually engaged in receiving or discharging passengers and merchandise.



Berkeley Shows a Profit.—Despite the fire disaster during the past year, City Manager John N. Edy brought Berkeley to the close of her first fiscal year under the manager plan with a surplus of more than \$99,000. In recognition of Mr. Edy's excellent work, the council raised his salary from \$7,500 to \$10,000.

A significant item in the new budget covers the expense of classifying all Berkeley buildings for assessment purposes. This will be done by the city assessor and will require two years to complete.

Smaller cities are able to cut also when the government is efficient. Thus the city manager of Sapulpa, Oklahoma (population 11,600), has

made a cut of \$20,000 in the budget presented to the council to cover the next year.



Staunton Pleased with Sixteen Years of Manager System of Government.—The *Virginia Municipal Review* publishes an account of sixteen years of city manager government in Staunton from the pen of Willard F. Day, the present manager. In 1908 the city council of Staunton (population 10,600) passed an ordinance employing a general manager to have charge of all the city departments under the supervision of the council, thus becoming the first city in the United States to adopt the plan. Later, in 1920, she adopted a charter continuing the city manager but reducing the bicameral council to a single body of five members.

The city is reported to be in excellent shape financially, to have more than 22 miles of improved streets which cover practically all the developed areas within the corporation limits, and to furnish water and electric current at low cost from municipal plants. She has a park of 156 acres, which includes a golf course. The city does its own street construction and maintenance work, for which purpose it operates a stone quarry. Concrete sidewalks are laid by the city forces, on request of the property owners, the cost being divided equally between the city and the owner.



Activity for Manager Charters in Various Cities.—The extra-legal commission, convened at the instance of the Seattle Municipal League, has reported a city manager amendment to the Seattle charter. This amendment is being referred to the council, and after discussion and passage by the council will be voted on by the people.

By unanimous vote the city commissioners of Fresno, California, have instructed the city attorney to draft amendments to the charter to provide for manager government. Next to Michigan, California has the greatest number of municipalities under the manager form.

The board of freeholders elected last spring to frame the city manager charter for Kansas City, Missouri, is now at work. The final draft must be submitted to the voters before February 26, 1925.

Favorable progress is reported towards a new manager charter for Trinidad, Colorado. Petitions are in for an election at which the people

will vote on the question of calling a charter convention to draft the new document.



Conference on Government and Politics at University of Minnesota.—Twenty-five persons, including candidates for the legislature, teachers of civics, and leaders in women's clubs, attended a five-day session at the University of Minnesota, in June, to consider the subject of (1) American Government, (2) The Government of Minnesota, and (3) Political Parties and Party Issues. The conference was conducted jointly by the Political Science department and the General Extension Division with Professor Victor J. West, Leland Stanford University, and Professors C. D. Allin, William Anderson, Harold S. Quigley, John M. Gaus, and Morris B. Lambie of the University of Minnesota taking part in the discussions. Opportunity was afforded for special research work upon particular problems of government. This was the first conference of the kind given at the University. It is probable that it will be made an annual event.



Overlapping Government Is Recognized as Extravagant.—In connection with Mayor Nelson's article in this issue urging the elimination of overlapping city and county government, it may be interesting to know that discontent which promises to be effective is arising in other cities where two governments now do the work of one.

Mayor Hoan of Milwaukee urges complete consolidation of the city and county of Milwaukee. The Milwaukee City Club is advocating that the health departments of the city and county be merged, but the mayor would go further than this.

The Toledo *News-Bee* points out several ways in which the next legislature can lessen the tax burden and financial difficulties of Ohio cities. It believes that that part of Lucas county which is occupied by Toledo and immediately adjoining territory should be cut off from the county government and that the county functions should be turned over to the city. It furthermore urges the consolidation of the school government with the municipal government. The residents of Toledo, instead of maintaining three organizations, would then support but one. The reasons given are increased efficiency and economies, running into hundreds of thousands of dollars.

The Wichita *Beacon* says there is no good reason why Wichita and Sedgwick county cannot

be joined so as to prevent the expensive duplication which now exists. For example, the city manages an expensive city jail and the county has just completed an expensive county jail. Both the city and the county have costly police departments. The *Beacon* points to the success of manager government in Wichita and urges that it be extended to the county by consolidating the two units.¹

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Trackless Trolleys in Philadelphia.—On October 14, 1923, the Philadelphia Rapid Transit Company began operation of trackless trolleys on a route comprising a round trip of 5.61 miles. Seven cars, out of a total of ten owned by the company, are operated during the periods of maximum service. The cars, which are operated by one man, have a seating capacity of 27, and are run on the pay-as-you-enter plan. A fare of seven cents, or four tickets for 25 cents, the regular city fare, is charged, and free transfer privileges are allowed.

The trackless trolleys provide transportation in a section of the city where service was badly needed, but where immediate construction of permanent track was not warranted. They have proved popular with the public, a total of 362,577 passengers having been carried during the first two and one-half months of operation. Although the trackless trolleys can be operated at a less cost than gasoline-motor busses, the report of the Philadelphia Rapid Transit Company for 1923 shows that, with the exception of the first half month, they were run at a financial loss in that year. The net income obtained in the first half month is said to be due to "curiosity riding."

C. A. HOWLAND.

✱

Less Than Half of Our Citizens Vote.—Senator Jones of Washington, speaking recently of the indifference of the people to elections, presented a tabulation made by Mr. Ashmun Brown of the *Providence Journal* which discloses a startling condition in a nation whose sovereignty lies in its citizenship. In the forty-eight states of the Union, according to the census of 1920, there were 54,128,895 citizens of voting age. Of these only 26,657,574, or less than half, took part in the presidential election of that year, while the total vote cast for senators and representatives in the elections of 1922 was only 20,579,191. That is to say, less than two out of every five voters went to the polls.

Analysis of the detailed vote shows that in the last presidential election the largest number of votes cast in any state was 75 per cent of the number of those entitled to vote. Thirty-one of the states recorded a vote greater than 50 per cent of the total number of eligible voters. Eight states recorded a vote of less than 25 per cent of their voting population. These eight had a total of 96 votes in the electoral college, an interesting fact in connection with the current discussion of the possibility of the vote there being tied.

In the congressional elections of 1922 thirty states recorded a vote of less than 50 per cent of their citizens. The highest percentage, 66½, was recorded in North Dakota, which has three representatives, and the lowest, 3.8, was recorded in Arkansas, which has seven representatives.

In none of the thirty-five senatorial elections of 1922 did more than 50 per cent of the eligible voters participate, and in fifteen of these the vote recorded was less than 25 per cent of the number of citizens qualified to take part. The highest percentage was 41.9, in Nevada, and the lowest 5.3, in Georgia.

Making all possible allowances for changes in these percentages if it were possible to obtain accurate information as to the number of citizens who are unable to vote, for one reason or another, these figures indicate pretty clearly where blame lies for conditions in the legislative branch of our government against which it is the fashion now to inveigh. In all the criticism levelled at our senators and representatives it is seldom charged that they are unfamiliar with the political situation in their own constituencies. They take great credit to themselves for knowing exactly what their constituents want, and to the congressional mind, which can upon occasion be pitilessly logical, a constituent is a voter. The man or woman who doesn't vote simply doesn't count on election day, and election day is the reddest of all red days on the senatorial and representative calendar. Those who don't count on election day have but slight chance of counting on any other day. When we are inclined, therefore, to condemn congress as being unrepresentative, it would be well to remember that congress doesn't have to be even 50 per cent representative in order to meet the wishes of those who do the electing.—

The Budget.

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An Economy Program for German Municipalities.—A recent article in the *Zeitschrift fuer die Kommunalwirtschaft* summarizes the recommen-

dations that were agreed upon last December by the administrative heads of the Rhine Westfalian cities of 100,000 and more inhabitants. The author, the mayor of the city of Söchteln, takes the phrase "retrenchment is trump" as the text of his article. As this has a familiar sound in municipal circles in this country, it will be of interest to consider in what way the German officials aim to realize their retrenchment program.

The following summary will indicate the character of the proposals adopted. In the selection, relative importance and similarity of conditions in Germany and the United States were determining factors.

The suggestions are considered under two headings: (1) reduction of services and positions, and (2) general measures of economy.

Reduction of Services and Positions.—Here are found the following proposals: elimination of the clerical forces in the higher and middle schools, the dissolution, or at least the limitation, of the central chancery (office responsible for clerical work and routine administration) by means of the more general use of typists and stenotypists, the reduction of the work of accounting by doing away with the antiquated methods of control, abandonment of the policy of printing reports of the administrative branches, simplification of the methods of reporting committee sessions and the elimination of stenographic reports of the council meetings. It is further suggested that savings may be brought about by cutting down the services along the following cultural or welfare lines: reduction of the personnel of the libraries and archives by limiting the hours for reading and taking out books; reduction of the activities of the municipal theaters and orchestras; limitation of the work of the bureaus for vocational guidance; provision of a smaller number of welfare nurses, home visitors, travelers' aids and playground and recreational directors; and finally, the elimination of the dental treatment of the school children, and possibly, after a careful investigation, the marked reduction of the anatomical pathological work now provided in the hospitals.

General Measures of Economy.—These have to do largely with the privileges and working conditions of the civil personnel, although some of them deal with the purchase and handling of materials of various sorts.

One of the most important recommendations in this category is the increase of the hours of work for the staff so far as permissible under existing legal regulations. It is also urged that

the vacation period be shortened and that all special leaves of absence be charged against the summer vacation except in cases of special urgency as, for instance, death or marriage in the immediate family. It is further suggested that the officials serving as staff representatives on committees limit to the utmost their activities in these matters during the office hours. A restriction on the special street car privileges now enjoyed by civil servants is recommended. Finally, it is strongly urged that smoking be prohibited during working hours, at least whenever officials come into contact with the public.

In the name of more economical use of time, the proposal is made that the gas, water and electrical meters be read by the same officials at one and the same time, also that the charges for these services be collected simultaneously.

Sweeping recommendations are made as to the desirability of central purchasing. This would cover office and cleaning supplies, fuel, food for public institutions and fodder for animals. It is urged further that average amounts of writing and drawing materials for various offices be worked out, presumably in the thought that they may be ordered in quantity.

The author of the article "Bürgermeister Steinbuechel" recognizes how drastic some of the proposals are, particularly those that affect the rights and privileges of the officials. He assures them in the first place that necessity knows no law, and then appeals to them to lead the way in making sacrifices since the salvation of the country is at stake.

This article is significant not alone because it shows to what straits the German officials have come, but it also contains more than one hint as to ways and means of making the shrunken tax dollar go a bit farther.

WILLIAM E. MOSHER.



Virginia Centralizes Purchasing.—Virginia has now dressed ranks with the movement to centralize purchasing of state supplies, which has long been an issue there as it has in several other states.

In 1918 the Commission on Efficiency and Economy, after investigation of the operation of centralized purchasing elsewhere, strongly recommended to the assembly that Virginia should follow suit. A member of the commission was delegated to draw up and introduce a suitable bill to the legislature. He did his work all too well!

His stenographer, at his direction, copied the New Jersey statute on purchasing, passed two years previously, but failed to substitute "Virginia" for "New Jersey" at the proper lines. The bill was introduced; the clerk read "The legislature of New Jersey enacts as follows"; and the movement expired amid a gale of laughter.

Two years later a bill was passed which centralized the state purchasing in name only. The purchasing agency was given authority to purchase supplies only for those state departments or institutions which *requested* it to do so. This optional arrangement resulted as might be expected. The using agencies of the state elected to turn over to the central agency only those supply requirements which were in themselves difficult to procure and had little patronage value. Under such circumstances, little, if any, savings were demonstrated over the prices paid by the using agencies when purchasing independently.

The Commission on Simplification of State Government, appointed by the extraordinary session of the legislature in 1923, recommended that purchasing for the state be centralized in fact as well as in name. A bill was introduced by the commission, was enacted as Chapter 392, Laws of 1924, and on July 1 superseded the former so-called state purchasing agency which had been in operation since 1920.

Responsibility for supervising the state agency and for determining its policies is vested in the state purchasing commission, composed of the governor as chairman, the treasurer, and the auditor of public accounts, who serve in this capacity without additional compensation. The commission has authority to adopt and amend rules and regulations prescribing the purchasing procedure, to determine what supplies may be purchased locally by the using agencies without intervention by the central agency, and to establish standards wherever practicable. Twenty-two other states at present administer their purchasing system through a board or commission. In seven of these the board is composed of elective state officials serving *ex-officio*; in the others the board is composed wholly or in part of appointees.

An "advisory standardization board" is provided in Virginia to assist the state purchasing commission in establishing suitable standards and in formulating a satisfactory policy. This board is to be composed of the state purchasing agent and the heads of various state institutions, who may be selected by the governor. A similar

board is maintained in New Jersey and Massachusetts as an adjunct to the purchasing commission.

The central agency is given authority to purchase for all using agencies except the state highway commission, and all supplies, materials, and equipment except the following:

1. Contractual services, such as telephone and telegraph, power, light and heat.
2. Material used in construction contracts.
3. Books for the Virginia State Library and technical instruments or equipment needed by any state agency.
4. Automobile license plates.
5. Supplies needed in emergencies.
6. Perishable supplies, such as fresh fruit and vegetables, and such other articles as are specifically exempted by the state purchasing commission.

The Virginia law, if properly administered, should provide the means for bringing about a considerable reduction in supply cost for the taxpayers of the state.

RUSSELL FORBES.



An Unfavorable Zoning Decision in New Jersey.—The cause of zoning in New Jersey has suffered a set back due to an unfavorable decision recently rendered by the highest court of the state in a case involving the right of the municipality to exclude retail stores from residential districts.

The history of the case is briefly as follows: The town of Nutley passed a comprehensive zoning ordinance on March 28, 1922. A certain man, by the name Ignaciunas Kalikatas, purchased three months after the passage of this ordinance a corner lot in a section of the town which was classified in the ordinance as a residential district in which stores were not to be erected. He decided, nevertheless, to build a store but was refused a permit by the building inspector. Whereupon he applied to the court for a writ of mandamus to compel the inspector to issue the permit.

The supreme court of New Jersey rendered a decision on August 15, 1923, in his favor on the ground that the ordinance prohibiting the erection of stores in a residential district was not a valid exercise of police power and was violative of the "due process" clause of the Federal constitution. Judge Katzenbach who wrote the decision declared that "the right to acquire property, to own it, to deal with it and to use it,

as the owner chooses, so long as the use harms nobody is a natural right"; that in the instance before it, the use of the property for store purposes did not, in the court's opinion, reasonably endanger public safety, health or welfare, and that consequently the abridgment of the contemplated use was an invasion of the inherent and constitutional rights of the owner of the property.

The judge could see no relation between stores and noise, declaring "some stores are noisy; some are quiet. The same is true of homes." He could not agree with the contention that sidewalks and roadwalks in the vicinity of stores are more dangerous to children and aged people than in residential districts, stating that "there are streets in many residential districts which are by reason of being well paved or through thoroughfares more used by trucks and pleasure cars than streets in commercial districts and so rendered more dangerous to pedestrians"; and rejected the argument that stores create litter and dust and therefore are deleterious to health and increase fire hazards, on the ground that "litter, dust, pieces of paper and refuse are found about many neglected homes" and that "the fact that in some instances stores may have been in this condition affords no justification for assuming that the proposed store . . . will be kept in this condition."

An appeal from this decision was taken to the court of errors and appeals, the State League of Municipalities, the State Chamber of Commerce and allied municipalities and chambers of commerce joining with the town of Nutley in the appeal. Mr. Spaulding Frazer submitted a brief on behalf of the municipalities and Mr. Frank H. Sommer, dean of the New York University Law School one on behalf of the chambers of commerce.

The court of errors and appeals sustained Judge Katzenbach's decision on May 19, 1924, but on somewhat different grounds. The constitutional issue which was the basis of Judge Katzenbach's decision was specifically excluded from consideration by the higher court, Chief Justice Gummere, who wrote the opinion, declaring that it need not be considered, for the ordinance in its application to the property of the complainant was not authorized by the statute. For the statute declares that the regulations of the ordinance "shall be designed to promote the public health, safety and general welfare" and this purpose was not served, in the

opinion of the court, in this case. The court made a distinction between the erection of a store building and its use for the store. It conceded that the "owner or the occupier of the store, after it is erected, might attempt to conduct therein a business which threatened public health or public safety" and which the municipality may then have to restrain, but it refused to concede "that the mere presence of a store building in the so-called residence district . . . is in itself a menace to the public health and public safety, notwithstanding that the business carried on therein will not constitute such a menace."

The court also conceded that the presence of the store, without regard to its use, would be objectionable to other property owners in the immediate neighborhoods, but held their objections "quite immaterial, for such property owners had not acquired the right to impose upon owners of other property in the vicinity any restrictions upon the lawful use thereof." The restriction authorized by the statute upon the untrammelled use of property for the promotion of the general welfare of the community, in the opinion of the court, "must be such as will tend in some degree to prevent harm to the public generally or to promote the common good of the whole of the people of such community." That the prohibition by the town of the erection of such a building, as contemplated by the complainant, will not have such an effect seemed to the court "manifest."

Many friends of zoning in New Jersey are very hopeful that this decision will not interfere with the exclusion of stores from residential districts. They pin their hopes on the new statute enacted during the last session in place of the former law. It is the so-called model zoning law. Its strongest feature, emphasized by E. M. Bassett in a letter to the State League of Municipalities, is the provision for boards of adjustment to which complaints may be taken for adjustment and whose decisions are reviewable in certiorari by the courts. With an arrangement of this nature, it is felt, ample opportunity will be given to the property owner to protect himself against arbitrary or unjust restrictions of his property rights. The municipalities are urged to adopt new ordinances in accord with the new law and set up the boards of adjustment. It is thought that with these safeguards the courts will sustain the exclusion of stores from residential districts.

PAUL STUDENSKY.

STATE WELFARE ADMINISTRATION AND CONSOLIDATED GOVERNMENT

By

C. E. McCOMBS, M.D.

National Institute of Public Administration

The history of state public welfare administration shows a constant trend toward centralization of authority in boards of control. From boards of control to "one man control" is a logical next step.

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STATE WELFARE ADMINISTRATION AND CONSOLIDATED GOVERNMENT

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THE progress of the present movement in state administration toward the elimination of administrative boards and the centralization of administrative authority in single heads appointed by the governor and responsive to him has recently been summarized in the NATIONAL MUNICIPAL REVIEW by A. E. Buck of the National Institute of Public Administration.¹ It is assumed, therefore, that readers of the REVIEW are thoroughly informed of the principles on which such reorganizations have been based and the forces which have impelled this movement toward what has been called "one man control."

PUBLIC WELFARE ADMINISTRATION A MAJOR ISSUE IN STATE GOVERNMENT

Among the major problems of reorganization of government according to such principles is that of administration of those activities formerly referred to as "charities and corrections" but now, more euphemistically, as "public welfare," that is, mainly, the care of the dependent, defective and delinquent in hospitals, sanatoria, homes for adults and children, industrial schools, reformatories and prisons. According to the report of the United States bureau of the census in the *Financial Statistics of States (1919)*, the total cost payments of the forty-eight states for the administration of all

general departments of government amounted to \$542,661,141 of which \$126,950,221 or about 23 per cent was devoted to state hospitals, homes, and correctional and penal institutions.² In Utah, out of a total cost payment of \$4,047,023 for all general departmental services, \$378,959 or 9.3 per cent was for such institutions; in Missouri out of \$14,542,349, \$6,624,624 or 45.5 per cent was for these purposes. In sixteen states over 25 per cent of the total cost payments for general departmental services was devoted to state institutions of the type named. Although more recent information on state expenditures of this character is not available, it can safely be assumed that the situation existing in 1919 still exists. In many states, in fact, in the majority of states, more is being spent for charitable and correctional institutions than for any other direct public service, except education. The magnitude of the sums so spent for institutional services is indicative of the economic importance to the state of their efficient administration. This is clearly a matter deserving the most careful study and requiring, on the part of those concerned with it, profound social sense and practical business ability. It is also one in which the public is, or should be, especially interested because of the tax burdens which the maintenance of state institutions imposes,

¹ "Administrative Consolidation in State Governments," by A. E. Buck; published as No. 2 of Technical Pamphlet Series by National Municipal League, 261 Broadway, New York City.

² The figures for 1919 are here used because subsequent reports of the bureau of census are unsatisfactory for our purposes owing to changes in the method of collecting and presenting financial statistics.

and because such institutions deal with the most vital human relations between government and its citizens.

THE SPECIALISTS IN ADMINISTRATIVE TECHNIQUE VS. THE SOCIAL WORKERS

In view of these facts, questions of where responsibility for the administration of state institutions shall be lodged and how it shall be exercised are of prime interest. There is, unfortunately, considerable difference of opinion on these questions among those who have given most thought to them. On the one side we find the members of the governmental research group, whom we may call the specialists in administrative technique, almost solidly lined up for the "one man control" plan. On the other side are the social workers, or specialists in human relations, who see in board administration of one type or another the most satisfactory plan. The difference of opinion between these two groups each of which has the same aim, namely, the promotion of efficient and economic public service, is well illustrated in the report of a study made by a special committee on public welfare departments of the American Association for Organizing Family Social Work.³ The question of how public welfare departments should be administered was put by the committee to the members of the Government Research Conference, which comprises the great majority of those agencies engaged in study of the science and art of public administration, and to another group of persons representing mainly those who had had practical experience in public welfare administration. Of the nineteen members of the government research group replying, fifteen believed that centralization of

authority and responsibility should be secured through the appointment of the welfare head by the executive head of the government, governor or mayor. Only four favored a board for administrative purposes. It was the general opinion of the members of this group that "unpaid boards, where the executive officer is chosen by such unpaid board, are not the most efficient type of organization, tending as they do to place a buffer between the chief executive and the departmental executive." Of the eighteen replies received from the other group, that is, those who had had practical experience in public welfare administration, sixteen strongly favored a board.

As the result of its labors, the investigating committee concluded that public welfare departments, because of the peculiar nature of their problems, cannot be satisfactorily administered in the same manner as other departments of government dealing less intimately with human factors. The committee held that the need for "continuity of policy," "freedom from political interference," and a "council of minds" in public welfare matters made board administration preferable to "one man control." Such a board, it decided, should be appointed with long overlapping terms for members, given authority to determine policies, and, in general, direct work in so far as this could be done without interfering with administrative detail. It should, according to the committee, "have powers more than advisory but less than administrative"; it should "have final authority for the conduct and policies of work through its advisory functions and the appointment of the chief executive, but hold the executive responsible, the board assuming none of his administrative functions." One can conceive such a board, of course, but that it can be "less than ad-

³ "An Organization Problem of Public Welfare Departments," by Gertrude Vaile, in *The Annals of the American Academy of Political and Social Science*, Jan., 1923.

ministrative" and still have "final authority for the conduct and policies of work" as well as "the appointment of the chief executive," certainly does not suit any definition of administration with which the writer, at least, is familiar. "Final authority for the conduct and policies of work" and "the appointment of the chief executive" are in fact the very bed-rock of administrative responsibility. If a public agency has these powers, it is an administrative agency; if it hasn't them, it is not.

HISTORY OF PUBLIC WELFARE ADMINISTRATION IN THE UNITED STATES

The conclusions of the committee are in fact merely a reaffirmation in somewhat contradictory terms of the theory that "continuity of policy," "freedom from political influence" and a "council of minds" to interpret and provide for community welfare are always administrative virtues to be found only in administrative boards. The committee has, indeed, made a valuable contribution to the literature of public welfare administration, but its argument on behalf of board administration of public welfare services is not wholly convincing to those who stand for "one man control" of such services. It is the writer's purpose to offer a brief for the latter and to discuss what "continuity of policy," "political influence" and "council of minds" have to do with public welfare administration in practice. But let us first review the history of public welfare administration in this country and mark its trend away from decentralized board control of public institutions toward that type of highly centralized control which in many states has resulted in complete elimination of boards.

Central state control of public welfare activities is generally regarded as beginning with the state board of

charities established in Massachusetts in 1863. This board was advisory and supervisory only; it could recommend changes in institutional methods and practices, but it had practically no power to enforce its recommendations in the institutions, each of which was administratively independent. Three years later New York state established a similar state board of charities with advisory and supervisory functions. Other states followed the lead of Massachusetts and New York, until at the present time we find only three states having no central agency, advisory or administrative.⁴ The establishment of such central state supervision was conceded to be a great step in advance. Standards of institutional service were raised and more adequate protection of the wards of the states was guaranteed through the visitation of institutions by representatives of these supervisory boards. The inability of supervisory boards to compel action by the independent boards of trustees of the institutions was, however, recognized as a great weakness. The corrections of abuses was always delayed and sometimes failed completely because the recommendations of the state supervisory board had to wait for legislative action. The step from a board with advisory or supervisory authority only to an administrative board of control was, therefore, a logical one and admittedly in line with sound social policy. This did not mean that a supervisory board was always abolished immediately on the creation of an administrative board; in many cases the two state agencies existed side by side for several years and in a few states we still find both types of boards in opera-

⁴ "Summary of Present State Systems for the Organization and Administration of Public Welfare," by S. P. Breckenridge, University of Chicago; *The Annals of the American Academy of Political and Social Science*, Jan., 1923.

tion. In fact the creation of central boards of control was at one time strongly opposed by many in the social welfare field who now strongly support it, on the ground that the establishment of boards of control would crowd out the supervisory boards which had proved themselves effective in developing public interest in institutional affairs. F. H. Wines, a prominent member of the National Conference of Charities and Corrections, in 1902 voiced the sentiment of a large group in this conference when he said: "Personally, I dread the creation of boards of control . . . They would be much less objectionable if they did not mean the abolition of supervisory boards, but two central boards cannot ordinarily be maintained in one state. If they could, there would almost inevitably exist rivalry and conflict between them." At this same conference in 1902, a special committee on state supervision of administration of charities and corrections reported unfavorably on the merging of supervision and control of state institutions, that is, the centering of all responsibility in one board instead of dividing it between a supervisory board and an administrative board or board of control. The committee said: "In the field of charity and correction the tendency is plainly in the direction of increasing exercise of administrative power and supervision by the state," but it was not convinced that a central board of control would produce results not obtainable by a supervisory board co-operating with the independent boards of trustees of institutions. It did, however, recognize the need for better central fiscal control.

POLITICAL INTERFERENCE UNDER CENTRAL CONTROL ALWAYS A BUGBEAR

Thus it appears that while the advantages of central control and the

trend toward it was clearly observed by social welfare authorities twenty years ago, there was a fear of political interference under central administrative control of institutions that would not down. F. H. Wines, who has been previously quoted, said further at the 1902 conference: "The proposal to establish a board of control originates, I think, in the brain of some scheming politician who wishes to strengthen a political machine by the addition to it of the state institutions, which can be effectively used by an adroit and unscrupulous politician as an aid to the control of caucuses, primaries and conventions, and in the carrying of elections." It is rather interesting to note that this statement is paralleled by that of Henry C. Wright in his recent report of a study on the "one man control" system in Illinois, made in 1920 for the New York State Charities Aid Associations.⁵ Mr. Wright says, with reference to the Illinois plan: "It would be difficult to devise a system better adapted to make political control effective than the Illinois system. Why will the politicians, when they interfered with a system not adjusted to easy control, let the new system alone, which in form is adapted to political purposes." What Mr. Wright called "a system not adjusted to easy control" was the central board of control plan which existed in Illinois up to 1917, the same board of control plan which in 1902 was characterized as the ideal instrument for political manipulation by the Mr. Wines previously quoted. About the only conclusion that can be reached from these statements is that the fear of "politics"

⁵ "A Valuation of a System for the Administration of State Institutions Through One-Man Control as Operated in Illinois," by Henry C. Wright. Made for New York State Charities Aid Associations, 105 East 22nd Street, New York City.

has probably had as much to do with the domination of thought on these matters as actual fact of political interference.

A COMPARISON OF CENTRALIZED AND DECENTRALIZED CONTROL

In 1911, Henry C. Wright, to whom we have previously referred and to whom we shall refer again, an able and experienced investigator in the field of institutional service, made, at the request of the New York State Charities Aid Association, an appraisal of three types of institutional administration then in effect. The three states studied were: Indiana, where each institution stood as a separate unit controlled by a board of managers or trustees; New York, where the institutions for the insane were under a smaller commission with limited powers, headed by an experienced alienist; Iowa, where all institutions were under a board of control with full administrative authority. Mr. Wright's report, which related chiefly to fiscal control of the institutions, found that central boards of control, as observed in his study, hindered the operation of institutions to some extent, and that such boards tended to be arbitrary in their treatment of institutions instead of advising through competent experts. Mr. Wright's observations are to be taken at face value; nevertheless, it should be borne in mind that his criticism of boards of control could no doubt be made of any kind of administrative agency that used its authority unscientifically or arbitrarily. Moreover, the Wright report found conditions in Indiana institutions, where decentralized administration was in effect, superior to conditions in the institutions under central control in Iowa and New York. Yet from this fact no one, not even Mr. Wright, would approve a return to the plan of

decentralized administration with its many independent boards. To-day they are very few who would contend that central boards of control have not raised institutional service to higher standards. On the whole there has been under their administration better adjustment of the relations between institutions, better planning for the state as a whole, greater facility in taking advantage of scientific research for the prevention and treatment of social ills, improvement in fiscal control and better selection of institutional personnel. It would be unfair, of course, to lay all credit for these improvements to the change from decentralized to centralized administration, but certainly the change has played a major part in speeding up these reforms and making them more effective.

PRESENT TREND TOWARD "ONE MAN CONTROL"

We may consider that for practical purposes the battle between decentralized and centralized board administration of public institutions has been won for the latter, and that the central board with merely supervisory powers has given way generally to the board of control. The principle of central administrative control is accepted as sound in most states, but the end is not yet. It is quite apparent that there is a growing and widespread demand for even greater concentration of administrative authority and responsibility in properly qualified individuals instead of boards. There is general public dissatisfaction with our cumbersome and costly organizations of state government as a whole. Advocates of "one man control" have not singled out the boards of control of state institutions for attack, but they find ample evidence that continuation of long term, overlapping boards of

administration whether of public welfare, health, highways, finance or what not, is incompatible with any workable plan to make a governor in fact what he is now so often in name only, a chief executive. The governor must, if he is to represent the people as he is supposed to do, appoint his administrative heads. He must have men about him who are responsive to him and in accord with the administrative policies which he is pledged to carry out. This theory of administration, adopted by Illinois in 1917, resulted in placing under "one man control" all of the charitable and correctional institutions of the state. Since 1917 many states have followed Illinois' lead as described in the summary by Mr. Buck to which early reference was made in this article. "One man control" has gone beyond the experimental stage and so far as evidence is now available it has meant improvement in public administration where it has been given a fair chance. As to its ultimate effect on the administration of state institutions there is every reason to believe that it will be as effective as it has proved to be in other fields of public service. Under the consolidation plan which aims to group the major activities of government in a half dozen or more departments, usually not more than ten, the one-man heads of these departments sit with the governor as a cabinet and together work out the policies which appear to be most advantageous and most in accord with the public's wishes. Governor D. W. Davis of Idaho, which recently reorganized its government on this basis, says: "Every public building constructed since we installed the cabinet form of government has been completed ahead of the scheduled date. There has been a similar improvement in efficiency in many other lines. We formerly had forty boards and commissions, and these we have grouped in

eight departments, (one of which is the department of public welfare), with a responsible man at the head of each. The undivided responsibility in each of the departments is what gets results."⁶

"ONE MAN CONTROL" IN ILLINOIS

Illinois was the first state to adopt the principle of "one man control" and a review of institutional administration in that state is therefore of special interest. Prior to 1909 there was no central control of Illinois institutions and each institution had its own board of trustees. There was a central supervisory state board of public charities, but this board was the typical supervisory board without administrative authority. In 1909 these independent boards were abolished and a central board of administration established for all except the penal and reformatory institutions, which remained under separate boards. The central supervisory state board of public charities was replaced at the same time by a supervisory charities commission which exercised practically the same functions as its predecessor. In 1917 the general reorganization of the government took place; the supervisory charities commission, the board of administration, and the independent boards of trustees of the penal and reformatory institutions were all abolished, and all their powers and duties with some minor exceptions were transferred to a director of a department of public welfare, appointed by the governor. Several other public welfare boards and commissions were also abolished at this time and their powers and duties transferred to the new director. Although sufficient time had not elapsed between the establishment of the department in 1917 and its survey by Mr. Wright in 1920, of which

⁶ NATIONAL MUNICIPAL REVIEW, Jan., 1923, p. 2.

mention has been made, to permit a proper appraisal of the full effect of such a radical change in institutional administration, the investigator states: "The Illinois system of control of state institutions as at present operated, is efficient, progressive, and forward-looking. As a government machine, it works without friction. Differences of opinion or other handicaps are speedily adjusted. It is a system which lends itself readily to the co-ordination of social problems dealing with individuals who are shunted to institutions. One of the primary advantages of such a system is that the problem of maladjustment can be considered and handled as a whole . . . The system when well directed makes possible and tends to produce an initiative with practical results noticeable to a much less degree when institutions are not under a central control system, or when under a central control system are headed by a board or commission. One of the surface indications that the system as at present operated is producing good results is that institutional officers of other states are beginning to turn to Illinois for suggestions."

So much to the credit of the "one man control" plan. But it is the political aspect of the "one man control" system which the investigator, Mr. Wright, still fears, and throughout his report one senses that he regards it as axiomatic that with every change of governor there will be a change of the department head and a consequent up and down of efficiency. In a previous paragraph we have quoted Mr. Wright on the political dangers of the "one man control" plan which he believes is an ideal plan from the point of view of the politician. Fortunately, however, for our purposes at least, there has been since the report mentioned a change in governors in Illinois. Governor Small, who succeeded Governor Lowden, the

sponsor of the plan, was naturally not such an ardent advocate of it as his predecessor, and all sorts of dire prophecies were made as to the raiding of state departments by the politicians. Governor Small did appoint, as was his privilege, a new head of the department of public welfare and there were, it is true, a large number of changes of institutional officers which may have been the result of political influence. Contrary to prophecy, however, there has been no alarming breakdown in institutional service, nor is it likely that there will be under succeeding governors. The changes of superintendents and other officers would have been avoided, of course, if these officers had been guaranteed proper tenure by civil service or otherwise. As to changes of the head of the welfare department and other heads whom the governor appoints, is it not more likely that the governor who has the appointment of only a few responsible administrative officers who stand out before the people will appoint more capable and experienced persons than if he has a hundred or more appointments to make. In the latter case, a governor may by the appointment of a few men of high standing and ability in unimportant places so dazzle the eyes of the public that they are unable to see the bad appointments in places of the greatest importance, but having less publicity value.

ADMINISTRATIVE BOARDS AND "CONTINUITY OF POLICY"

As has been previously indicated, the stock arguments against the "one man control" plan as it relates to the administration of public institutions are: that a board whose members are appointed for long overlapping terms are able to provide that "continuity of policy" which is essential to real progress; that a long term, overlapping

membership board is a defense against "political influence"; that a "council of minds" is necessary to deal properly with the problems of public welfare departments which, because they deal with human conduct and relations, require the application of quite different administrative control than other departments. To these should be added a fourth argument, namely, that because of the peculiar nature of public welfare problems, the public is not yet prepared to exercise sound judgment with respect to them, and in consequence administration of these matters should be removed from direct popular control by the ballot, *i.e.*, through the selection of the governor who heads and directs the entire state administrative program.

Let us consider first the "continuity of policy" argument for board administration of public welfare functions. The first weakness in this argument, and one that has not been given due weight, is that "continuity of policy" under board administration or otherwise is as likely to be bad as good. In one western state where the writer had opportunity to study institutional administration thoroughly, all institutions are under a single board of control, which was established by the state constitution and has existed since the beginning of statehood. It is, according to accepted standards, as nearly ideal as a state board can be, being composed of five citizens of high standing with long overlapping terms of office, representing various sections of the state and in theory, at least, non-partisan, although its members are of political importance and influence in their own communities. Such a board did indeed provide "continuity of policy," but that is the chief defect in institutional administration in that state. About the same policies with respect to institutions as had been

established by previous boards in the dark ages of the state's social welfare history are still in effect. Inmates of many institutions are receiving about the same kind of care they received when the institutions were first established. There is a decided lack in several institutions of facilities for adequate treatment of patients according to their health and social needs, and an almost complete absence of competent technicians in the various special fields of service. Institutions have been located throughout the state without adequate study of state needs, built without understanding of institutional service requirements, and manned with as little regard for efficiency as if the board had been dominated entirely by the demands of political patronage. "Continuity of policy" in this state is surely a deterrent to efficient administration.

In another western state "continuity of policy" has been preserved by independent boards of the several institutions acting under a board of charities and corrections with supervisory powers only. The board is of the approved type, composed of six appointive members with long overlapping terms, who are men and women of high standing in the state. The administrative boards for the various institutions are also composed of high-minded men and women appointed for long overlapping terms. Under such circumstances "continuity of policy" is certainly provided and yet the result of such continuity does not in any sense justify abiding faith in it. There is an unevenness of institutional planning resulting in the development of some institutions far beyond actual needs and the under-development and impoverishment of others with less influential political support. There are no comparable standards of service or records of service; no attempt through co-opera-

tion of independent institutions or through the agency of the central supervisory board to develop adequate systems of fiscal supervision, purchasing, dietetics, health supervision or social research. Here again under a different type of board administration "continuity of policy" has meant stagnation.

So we may assume that "continuity of policy" means something or nothing, depending on whether or not the board responsible for that policy is experienced, alive to modern scientific practice in institutional service, and capable of overcoming the inertia usually associated with long tenure in any job. The long term board is as often responsible for continuity of inertia as for continuity of progress, and simply passes on from year to year to its new members the traditions which it has inherited from its predecessor.

"POLITICS" AND POLITICIANS IN WELFARE ADMINISTRATION

As to "politics," which is apparently the *bête noir* of social workers, we have already suggested that the argument has been much overworked. If it is true that centralization of administrative authority in the hands of a few or in the hands of a single individual is so well designed to give the wily politicians a firm grasp upon patronage, why is it that the politicians themselves have apparently not discovered it? If they have discovered it, why is it that the opposition to centralization of administrative authority and responsibility is strongest among the professional politicians? To defeat centralizations of administrative responsibility partisan politicians have more often than not shed their party coats and put shoulder to shoulder. The argument that politics finds its handiest tool in "one man control" will not bear careful analysis. The very fact that in many

states the members of administrative boards of institutions must be so selected as to give no political party an overwhelming representation on the board indicates that politics is expected. The laws of many states in which such boards have been established declare that "not more than three" or "not more than five members" shall be of the same political party, the number permitted of any one party depending on the size of the board. The notion that a board can be made "non-partisan" by the simple device of dividing its membership between representatives of political parties is an absurdity. Partisan politicians want patronage, and board administration, "non-partisan" or other, offers the very best opportunity for them to get it. The more boards, the more patronage and the more avenues of political approach because of the greater number of officials concerned.

The insistent public demand for consolidation of government agencies and centralization of administrative authority in fewer officials is largely the result of efforts on the part of partisan politicians to perpetuate all existing boards and to create as many new ones as possible. That is why so many of our state governments are now muddling along with anywhere from 50 to 150 independent boards, commissions, committees, and other agencies, often overlapping in function and duplicating service. No doubt unconsciously, social workers have adopted the course best designed to promote political control of the state government through their insistence at each new step in public welfare progress on the creation of new boards, and new commissions. Groups of well-intentioned persons in almost every state have labored with all the energy of the most partisan politicians for new agencies to deal with their pet projects for public welfare.

Special boards of child welfare, committees on mental defectives, prison commissions, boards of institution visiting, and others, quite independent of already established public agencies for the promotion of welfare generally have been urged and created by law through the efforts of interested groups, without study of existing agencies and an attempt to reshape them for the service needed. We would not be unfair to those who have sponsored, contributed to, and lobbied for the creation of special agencies to promote public welfare, but it is a fact that the existing chaos in state government to-day is due in large measure to the application of the theory apparently held by so many public welfare workers that the way to improve public administration is to divide responsibility rather than to centralize it; that the more agencies, the more efficiency. No one with practical experience in state politics will deny that there has been almost as much politics without as within the political organization in matters of public welfare administration and that from without has sometimes been as ill-advised as that from within. Nor will any one well informed on state administrative practice find in the multiplication of welfare boards and commissions proof that more boards spell more efficient public service.

"COUNCIL OF MINDS" IN PUBLIC WELFARE ADMINISTRATION

That a "council of minds" is desirable for dealing with the peculiar problems of public welfare administration is not disputed. That the administration of public welfare is most efficient where it reflects the consensus of representative people of the community cannot be gainsaid. As one prominent social worker puts it, referring to social welfare organization, "The nature of the work calls for a

council of minds. It makes little difference what the worker may think the right thing to do if it is impracticable to do it, and whether or not a thing is practicable and can be done, as well as whether it should be done, needs the various points of view of representative people. Their decision and determination is the starting point to success."⁷ With all of this the writer is in complete accord but in our discussion of this thought in its application to public welfare administration it is necessary to keep clearly in mind a fundamental difference between official or government agencies and unofficial or private agencies.

The policy of an official or government agency is determined by law. The legislature defines the powers and duties of the agency and determines how its powers shall be exercised and how, in general, its duties shall be performed. It lays upon the chief executive of the government concerned responsibility for the carrying out of the policy and program which it has enacted, and it holds the chief executive responsible for the enforcement of its mandates through the direction of the experts in public welfare or other field of government service. The legislature, if it performs the function for which it was created, is the "council of minds" and it gives to the governor and through him to his experts "the various points of view of representative people." But the private or unofficial agency has no such legislative body to determine its program or policy. To have its "council of minds" it must resort to the employment of a board. In short the distinction between official and unofficial agencies for public welfare is just this. The official public

⁷ "The Relation of Layman and Expert in Social Work," by Joseph C. Logan, Southern Division of the American Red Cross; *The Journal of Social Forces*, May, 1924.

welfare or other agency needs no policy determining board because that is the legislature's function, and a board is therefore superfluous. The unofficial agency needs a board because it has no other means of securing the benefits of a "council of minds."

But there are doubtless those who will contend that the "council of minds" of legislatures generally is not competent to deal with the very delicate material of public welfare, and that a board is necessary to make a needed adjustment between the legislature and the chief executive. But this is a generalization to which the writer wishes to make exception. An administrative board, at least in the experience of the author, is most valuable when it happens that the result ordinarily attributed to a "council of minds" is actually obtained through the domination in the board of a master mind to which other minds are merely complementary. In twelve years of study of administrative boards of public welfare, the writer has yet to observe an efficient board of public welfare that did not depend for its guidance upon the dominating influence of a leader. Where no master mind appeared administrative competence was invariably conspicuous by its absence, and the time of the board was wasted in considering details of procedure that should have been left to an executive. Administration was of the "one man" type in fact if not in form.

ADVISORY BOARDS USEFUL IN PUBLIC EDUCATION

It is conceded that for certain of the purposes stressed by the social workers, namely the development of public opinion on welfare matters and the encouragement of public sympathy with welfare aims, a co-operating group of high-minded, respected citizens is useful. But this advantage can be se-

cured for official departments of public welfare by the creation of advisory boards without administrative responsibility. It is believed that "one man control" of public welfare administration will, in the beginning at least, function most satisfactorily when provision is made for such a co-operating advisory board of citizens. If it is made up of from five to seven men and women interested in public welfare work and with broad social vision, it can be of material aid to the administrative head in enlisting popular support for the welfare program. There would be no objection, in fact it might prove helpful in some states, to have such a central advisory body made up of representatives from local advisory boards which might be appointed by the governor for the various institutions. But, however such an advisory agency is constituted, the line of demarcation between administrative control and advisory aid should be sharply drawn. The administrative head appointed by the governor should be responsible, under proper safeguards, for the selection, appointment and direction of his subordinates from the top to the bottom of the service, and for the carrying out of such plan of institutional operation as the advisory board may recommend and the governor approve. If the advice of the board is sound and in line with his general policy, the governor will probably use it and direct his administrative officer accordingly; if it is not, it should have no compelling force upon his administration.

The theory that the public is not yet prepared to act wisely in the selection of a governor whom it may hold fully and solely responsible for the appointment and removal of the administrative head of the public welfare service, although it may be capable of acting wisely with respect to other public affairs, is based

upon the general concept that the public is peculiarly ignorant of the substance of public welfare. This notion is adequately expressed in the article on *An Organization Problem of Public Welfare Departments* by Gertrude Vaile, to which earlier reference was made. Miss Vaile says: "Of all departments of government probably the welfare department is the most remote from the personal knowledge and concern of the general public." This may be true, but there is little evidence to support it. In the writer's judgment the public knows at least as much about public welfare, perhaps more, than about police administration, street cleaning, municipal finance, education, or other essential function of government. The public can be counted on to support enthusiastically any movement which aims at the better care of institutional inmates, even though it may have no clear understanding of what ought to be done and how. Serious abuse of long duration is hardly possible in these days of "open door" institutions, and it is less possible when responsibility is clearly and definitely fixed upon one person who cannot "pass the buck" to another. More public education on social welfare matters is needed, admittedly, but to hold that this can best be done by depriving the public of an opportunity really to express its purpose with respect to institutional management cannot well be maintained. The most effective method of educating the public to act wisely on such matters is to make them public issues and to bring them right out in the political limelight. If the elected representative of the people, the governor, makes appointment of an incompetent head of a state public welfare department, the public is likely to know about it much more quickly and take a more direct and effective course toward correcting the

situation than if control by the governor is limited as a long tenure, overlapping membership, administrative board limits it. The public will make mistakes, it is true, but it will rarely make the same mistake twice, and it will be educating itself all the time. Under a plan that holds the governor solely responsible for the administrative efficiency of his departments, it is possible to develop state public welfare to an extent hitherto undreamed of. It is possible to make public welfare an issue at every election, and to force candidates to submit pledges to the people of their intentions with reference to it. The time is indeed not far off when mayors, governors and political conventions will be required to offer something better than mere platitudes about public health and welfare. This is a field of education which those interested in public welfare have apparently neglected. If instead of trying to perpetuate the old, undemocratic notion that the people are not to be trusted, and that their important concerns should be left to determination wholly by this or that group of specialists, the various groups would agree upon a program consistent with sound administration; make clear to the public the ends to be obtained and the facts as to cost; and then put their issues squarely before the people, sound public welfare policy might be developed. That would indeed be education of the public.

EFFICIENT GOVERNMENT DEPENDS ON INTEGRATION OF FUNDAMENTAL ACTIVITIES

Whether this is accepted as good social doctrine or not, it is certain that the many of our ablest statesmen are committed to the notion that public welfare administration has been inefficient and uneconomic generally because of the multitude of uncorrelated

agencies concerned with it. The "one man control" plan as it relates to public welfare is the logical culmination of a half century of steady movement toward responsibility in government. It is not likely that all the defects of administration of state institutions will be eliminated by the adoption of the "one man control" plan, but it will be possible under such a plan to know who is responsible for the perpetuation of defects that can be remedied. Undoubtedly many states will find it expedient to continue certain administrative boards which have clearly demonstrated their efficiency and progressiveness, rather than to commit themselves wholly to a plan which is as yet relatively untried. But the logic of the plan as adapted to the general organization of government will it is believed eventually overcome the objections of those groups whose fears for their own special interests are more imaginary than real. The difficulty apparently is that such groups do not envisage the problem of government administration as an entity, but rather as a collection of relatively independent problems, each to be worked out independently. It is not at all difficult, however, to show the intimate and direct relationship between all government services. In the administration

of public institutions, for example, every service of government is reflected in one way or another. The efficiency of institutional service is dependent upon the efficiency of every other part of government service in finance, health, highways, education, recreation, administration of justice, conservation of natural resources and what not. All of these enterprises are in fact merely a means to an end, namely, social welfare of which economic welfare is merely one factor. When the time comes that all of these mutually dependent services of government can be brought together as one, and a policy for all determined which will do justice to each and to the public, then perhaps complaints of the inefficiency of democracy will have less justification. This is in fact the aim in simplifying the machinery of government, centering responsibility in the governor, and bringing together for conference with him a cabinet which may plan for the whole field of government activity and the proper integration of its special functions for the promotion of social welfare. The administration of institutions is merely one of those functions requiring no different administrative treatment and no different type of control than any other.

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